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China raises questions on loans

By Dinny McMahon

BEIJING—Chinese lenders are using a little-understood financial transaction to move loans off their balance sheets, a trend that raises questions about transparency in one of the world's biggest banking industries, according to analysts who have studied the deals.

The transactions, which increased sharply last month, involve banks temporarily selling loans to Chinese trust companies, promising to repurchase the loans any time between a few weeks and a few years later. The trusts repackage the loans into financial instruments for clients.

While the trusts hold the loans, the banks typically don't count them on their books, say the analysts, who have discussed the practice with bank officials. The banks' apparent goal in the deals, the analysts say, is to reduce loan balances at a time when China's government has indicated concern about credit expansion and is pushing lenders to increase their capital as a precaution against bad loans.

Although no official data on the loan-sale practice is publicly available, Shanghai Benefit Investment Consulting, a research company, estimates that 603 billion yuan ($88.31 billion) of bank loans have been packaged into trust products this year. That is a small fraction of the more than nine trillion yuan in total new loans made in 2009. But the pace has been rising:

Please turn to page 14

U.S. proposes long-term climate aid for poor nations

Getty Images

South Korean President Lee Myung-bak speaks in Copenhagen on Thursday. U.S. Secretary of State Hillary Clinton proposed that major economies come up with $100 billion a year over the next decade to help developing nations fight climate change, but China reacted coolly to the bid to break an impasse at the climate summit. **Page 3.**

Dollar advances against its rivals

By Alex Frangos

HONG KONG—The U.S. dollar stormed ahead against major currencies early Thursday, partially on euro weakness, but also on a renewed confidence in how investors view the greenback.

The euro fell more than 1.2% versus the dollar Thursday, hitting its lowest level in three months after Standard & Poor's downgraded the debt of euro-zone member Greece. S&P also warned of more downgrades if Greece doesn't make strong moves to fix its fiscal situation.

The euro traded below $1.435 for the first time since Sept. 8. The dollar also gained nearly 1% against the yen, easing some pressure on Japanese politicians who have fretted about the strong yen's impact on exports.

"The macro environment is seeing some very important shifts at the moment," said Richard Yetsenga, Asia currency strategist for HSBC in Hong Kong. "The U.S. economy all of a sudden doesn't look so bad. And the rest of the world doesn't look so good."

That notion has prompted

Please turn to page 8

Beijing, Taipei set stage for pact

By Ting-I Tsai

TAIPEI—China and Taiwan are launching key talks next week toward a trade pact that would mark the biggest step forward in a détente that is reshaping East Asia's economics and politics.

The talks are expected to result in the signing next year of a free-trade deal between the onetime enemies, the culmination of 18 months of incremental but remarkable steps to open business, travel and political contacts. If successful, the planned deal—the Economic Cooperation Framework Agreement, or ECFA—could bind Taiwan to its giant neighbor to an unprecedented degree, erasing decades-old barriers in Taiwan to investment from China.

The rapid improvement in relations with China since Taiwanese President Ma Ying-jeou took office in May last year is making ever more remote the prospect of conflict across the Taiwan Strait, following decades of tension between the U.S., Taiwan's most important international friend, and China, which claims the democratically governed island as part of its territory.

"Taiwan-China tension is the greatest security concern in East Asia," said Dan Rosen, a visiting fellow of the Washington-based Peterson Institute for International Economics. "ECFA would reduce risks."

Leaders on both sides have staked personal prestige and their legacies on the outcome. For Mr. Ma, who has seen his popularity fall steeply in recent months, it is a chance to end Taiwan's worsening economic isolation and open up new growth areas for the country's technology industry. Taiwan's companies make many of the world's personal computers and related products, and the country is a key link in the global high-tech value chain.

For China's top leader, Hu Jintao, it could be a crucial step toward signing some sort of a peace accord with Taiwan before he retires in 2012. The two sides have been at odds since

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Reuters

Tourists from China arrive in Taiwan from a cruise ship this year amid loosened restrictions on visitors from the mainland.

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PAGE TWO

What's News—

* * *
Business & Finance

■ **National Australia Bank** unveiled a surprise $11.9 billion offer for AXA Asia Pacific, an Australia-based financial-services firm. The bid upstaged a rival offer from fund manager AMP and signaled the potential for a bidding war for control of the firm. **15, 26**

■ **China called** the proposal by Rio Tinto and BHP to combine their iron ore operations a threat to the global steel market. **16**

■ **Rio Tinto agreed to sell** iron ore to India's Essar Steel, the first time the company will be shipping ore to India. **16**

■ **U.S. stocks fell** on a rise in jobless claims and the low price Citigroup got for its secondary share offering. Shanghai and Hong Kong led declines in Asia. **21**

■ **The U.S. shelved plans** to begin cutting its 34% stake in Citigroup after investors demanded a price so low that the Treasury would have lost money on the deal. **22**

■ **Russia's largest bank** is prepared to refinance Rusal's $4.5 billion debt, thus removing the last major obstacle to the company's Hong Kong IPO. **19**

■ **British Airways secured** an injunction preventing its cabin-crew members from striking over the Christmas holiday. **17**

■ **China's SAIC Motor** and Zhejiang Geely have enlisted U.S. car-battery suppliers to help develop clean-energy vehicles. **17**

■ **A Seoul court saved** Ssangyong Motor from immediate liquidation by clearing the auto maker's turnaround plan . **17**

■ **Bank of America promoted** Brian Moynihan to president and CEO, ending an 11-week search in favor of a longtime insider. **22**

■ **Some U.K. lawmakers** protested the backing that government-controlled RBS is giving to Kraft's hostile bid for British candy icon Cadbury. **19, 26**

■ **AIA Group**, the Asian life-insurance unit of AIG, has applied for a Hong Kong IPO to raise as much as $20 billion. **19**

■ **China's national pension fund** plans to nearly triple its overseas investments as it diversifies. **19**

■ **Indian food prices rose** an annual 20% in early December, auguring central bank tightening measures. **4**

■ **Exxon can back out** of its $31 billion deal to acquire natural-gas producer XTO if U.S. legislation requires stronger oversight of a controversial drilling technique. **18**

Agence France-Presse/Getty Images

Customers use automatic teller machines outside the headquarters of National Australia Bank in Sydney on Thursday. NAB made a $11.9 billion bid for financial-services group AXA Asia Pacific's Australian and New Zealand businesses, trumping a rival offer by fund manager AMP.

* * *
World-Wide

■ **Hillary Clinton proposed** that major economies give $100 billion a year over the next decade to help developing nations fight climate change. **3**

■ **A U.S. Senate panel voted 16-7** to confirm Fed Chairman Ben Bernanke for a second term. The full Senate is expected to vote early next year. **6**

■ **Militants in Iraq used** $26 off-the-shelf software to intercept live video feeds from U.S. Predator drones, potentially providing them with information they need to evade or monitor U.S. military operations. **8**

■ **Drones fired 10 missiles** that killed at least 14 suspected militants in Pakistan's northwest, in one of the biggest attacks in the U.S. campaign of missile strikes. **6**

■ **Indonesia's Medco Energi** scaled back plans for a pulp and paper mill and other forestry investments in Papua province at a time of rising global concern over the impact of deforestation. **4**

■ **The leader** of Andhra Pradesh's third-largest political party resigned to protest government plans to divide the Indian state. **4**

■ **Mexican authorities said** they killed one of the nation's most powerful drug kingpins, Arturo Beltrán Leyva, in a shootout.

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Most read in Asia

1. How Facebook Is Making Friending Obsolete
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Contemporary Australian Aboriginal painters are being featured at the New York Metropolitan Museum of Art.

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Follow developments from the Copenhagen climate conference at **asia.wsj.com**.

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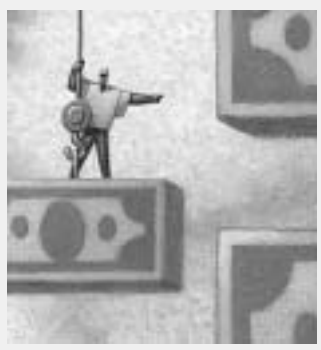
Greece has lots of debt and some Austrian banks need more capital. But that doesn't mean every country in the region faces default.

Inside

World News: Exports from Singapore rise on shipments to China. **6**

In Depth: Recession is ending, but thriftiness is here to stay. **12**

Business & Finance: Yum Brands bets on India's youth. **15**



Markets: Basel panel votes to beef up bank-capital standards. **19**

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WORLD NEWS

Clinton offers funding for CO_2 cuts

By Stephen Power And Spencer Swartz

COPENHAGEN—U.S. Secretary of State Hillary Clinton proposed that major economies including the U.S. come up with $100 billion a year over the next decade to help developing nations fight climate change, but China reacted coolly to the 11th-hour bid to break an impasse at the United Nations climate summit here.

Mrs. Clinton said the proposal for long-term climate aid for poor nations depends on reaching "a strong accord" by the end of the summit. The money would come from public and private sources, she said, without specifying how it would be divided or what the U.S. share would be.

Mrs. Clinton's proposal Thursday came a day before President Barack Obama is scheduled to arrive in Copenhagen to meet with other world leaders and ratify a climate agreement—if there is one.

Mrs. Clinton also emphasized that the U.S. wouldn't commit to the plan if all major economies don't commit to various provisions, including carbon-emission reductions that are verifiable and transparent.

"If there isn't a commitment for transparency of some sort, that would be a deal-breaker," she said.

China, which has played a leading role for the developing nations at Copenhagen, sounded a more dour note.

"We hold a conservative view on Clinton's climate-fund proposal due to lack of clarity on many issues," said a spokesman for the Chinese delegation. "At first glance, we don't see the U.S. has made much progress in its commitments," he said.

An official involved with climate talks said on Thursday that Chinese officials had signaled overnight that they would agree only to a brief political declaration that left unresolved most of the major issues that European and U.S. officials had hoped to hash out in Copenhagen.

The U.S. proposal received a cautious greeting from other players at the summit. It was seen as an encouraging sign by the U.K. and some African nations that would benefit from the additional funding.

"It's more of the financial commitment we have been looking for, but we'll need to see the mechanism for how this will work," said Mamadou Honadia, a delegate from Burkina Faso.

Enock Teye Mensah of Ghana, a delegate of the pan-African parliament, said he believed the U.S. proposal "removed about 90% of the obstacle to a deal."

A British government spokesman called Mrs. Clinton's proposal "an important development" because it puts "the United States on the same page as the U.K. and the EU in terms of long-term climate finance."

Mrs. Clinton's announcement drew criticism from the senior Republican on the U.S. House Energy and Commerce Committee, Rep. Joe Barton of Texas. Mr. Barton, an opponent of emissions caps who has expressed skepticism that human activity is the main cause of climate change, described the U.S. offer as a "Christmas present" that would come at the expense of American taxpayers.

China and the U.S.—the world's largest emitters of greenhouse gases—have been locked in a standoff over the degree to which China should have to allow its emissions targets to be subject to international review.

Until now, the Obama administration has declined to publicly specify how much money it thinks rich countries should have to commit to poor countries to help them fight climate change. In part, that reflects the administration's uncertainty about how much, if any, money will be generated by a proposed greenhouse-gas permit trading plan at the center of climate legislation now stalled in the Senate.

Since the climate summit began last week, China has tried to rally representatives from developing countries to take a hard line on the U.S. in the talks, according to officials involved in the process.

"People enjoy putting the lack of progress all on the U.S. but China is as much to blame," said an Indonesian official in Copenhagen.

Still, Mrs. Clinton's proposal allowed United Nations officials to show a more hopeful outlook, after warning Wednesday that the sprawling summit risked collapse.

"I would say hold tight and mind the doors—the cable car is moving again," said Yvo de Boer, executive secretary of the U.N. Framework Convention on Climate Change.

—Jing Yang contributed to this article.

Associated Press

Hillary Clinton said Thursday in Copenhagen that the U.S. is prepared help raise $100 billion a year, for 10 years, in emissions-cut financing for poor nations.

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Jakarta firm drops plans for big mill

Indonesian oil and gas producer will instead build a more 'green' wood-pellet facility in remote Papua province

By Tom Wright

JAKARTA—PT **Medco Energi**, Indonesia's largest private oil-and-gas producer, has scaled back plans for a large pulp and paper mill and other forestry investments in Indonesia's remote Papua province at a time of growing global concern over the impact of deforestation on climate change.

Last year, Jakarta-based Medco, which is looking to diversify its revenues, said it was planning a 500,000 ton-per-year pulp and paper mill in Merauke district, on the southern tip of Papua, a sparsely populated Indonesian province that is covered in rain forests and home to 2.5 million people.

The company also said it was looking for investors in the Middle East to participate in a food and biofuels project in Merauke, possibly on as much as one million hectares (2.47 million acres).

Those plans raised concerns among environmental groups: Papua's remote location generally has spared its natural forests from the destruction that paper mills and palm oil plantations have wrought on other Indonesian islands.

Medco is dropping its plans for a pulp and paper mill and instead will focus on a smaller-scale $70 million facility to produce wood pellets, a potential "green" fuel, said Aradea Arifin, the finance director of Medco's Papua operations, in an interview. It also has scaled down its food and biofuel ambitions and now plans to grow only a small amount of sugarcane.

The company is also working with Conservation International, a U.S.-based environment group, on a sustainable land-use plan for its mill that will set aside forest conservation areas inside Medco's concession.

"A pulp mill is very difficult in terms of the environment, so we changed," Mr. Arifin said.

Among other concerns, Mr. Arifin said the company wants to avoid social problems with Papuans, who use the forests for hunting and have in some cases attacked palm oil and forestry companies operating in the province. Medco also hopes its more-sustainable approach will allow it to get further forestry concessions from Papua's local government, whose governor, Barnabas Suebu, has declined to hand out large parcels of land to companies and says he doesn't want the province to be destroyed by unchecked development like other areas in Indonesia.

Jatna Supriatna, the head of Conservation International's local office who began working with Medco last year, said he told the company's management that a large pulp and paper mill was going to cause "a problem with all the international NGOs" because of its impact on Merauke's eucalyptus forests. A wood-pellet mill uses all parts of a tree, including branches, meaning it needs fewer inputs compared with a pulp and paper mill for the same production, Mr. Supriatna said.

Medco says it is hoping to cash in on increasing demand for wood pellets from companies in Europe and Asia that are under pressure to reduce their carbon emissions. Wood pellets are rising in popularity as a source of fuel to replace carbon-dioxide-emitting coal in power stations and for heating.

Medco has teamed up with **LG Corp.** of South Korea, which has taken a 32% stake in Medco's Papua unit and will market the wood pellets overseas.

To be viable as a "green" fuel, Medco will need to prove that its wood-pellet production doesn't lead to widespread forest destruction. Rain forests and peat lands are efficient absorbers of carbon dioxide, and their destruction through fires, forest-clearing or drainage releases the heat-trapping greenhouse gas back into the atmosphere.

The loss of rain forests accounts for about a fifth of greenhouse-gas emissions globally. Despite its relatively small economy, Indonesia is the world's third-largest emitter of carbon dioxide behind China and the U.S. due to forest fires and drainage of carbon dioxide-dense peat lands, according to some estimates.

Climate-change negotiators meeting in Copenhagen this week are focusing on ways a successor treaty to the Kyoto Protocol, which ends in 2012, could compensate investors in nations like Indonesia that forgo revenue by preserving forests.

Medco's Mr. Arifin said the company has hired consultants to look at how it could protect forests in return for carbon credits, which can be sold to polluters in developed countries or traded on international exchanges.

Conservation International's study of Medco's 170,000-hectare forest concession in Merauke should be completed in the next few months, Mr. Supriatna said. The study, which is being prepared with input from a consultant from the University of Texas-Austin, will advise Medco on which areas it can selectively log and which should be protected for environmental or social reasons.

Medco says it is waiting for the study before it begins to cut trees in its concession area but is looking at setting aside at least 70,000 hectares of the total area for conservation. It is planning to build up industrial-wood plantations on the remainder of the land it clears, which take six years to grow.

A Medco mill has begun limited operations, using wood felled to make way for its production facilities, Mr. Arifin said. It plans to produce 100,000 metric tons of wood pellets in 2010 and 300,000 tons within two years.

Eric Bellman/The Wall Street Journal

A wholesale food market in Hyderabad, India. India's driest monsoon season in 37 years hurt farm output this year, but late rains boosted crop prospects, and Finance Minister Pranab Mukherjee said imports could augment the food supply.

India food prices rise 20%

By Neelabh Chaturvedi

NEW DELHI—Food prices in India rose nearly 20% from a year earlier in early December, but a slowing rise suggested farm prices could be stabilizing.

Finance Minister Pranab Mukherjee reiterated the government's rising anxiety over the buildup in prices. Mr. Mukherjee said the government will take all necessary measures to increase food supplies.

Separately, the government told a parliamentary panel it will increase the availability of sugar by maintaining limits placed on bulk consumers.

The central bank is expected to drain excess cash in the financial system, as a steady recovery in the economy and comparisons with muted numbers last year are set to push the headline inflation rate higher in coming months.

Market expectations of an increase in the share of deposits banks must set aside as cash have risen in recent weeks as data have shown the economy is on a much better footing, giving the Reserve Bank of India more elbow room in tempering inflationary expectations without stifling growth.

While India's driest monsoon season in 37 years hurt farm output this year, a late spurt in rains has boosted prospects of the winter-sown crop.

Some analysts said the slowing rise in prices reported Thursday may delay what looked like an imminent tightening action by the RBI.

"While the year-on-year increase looks big, the pace of increase on a week-on-week basis has moderated and the central bank may prefer to wait for a few more weeks before taking any action," said Namrata Padhye, a fixed-income research analyst at IDBI Gilts.

Producer prices rose 4.78% in November. India began issuing monthly inflation numbers in October, but the government still issues indexes for primary articles and fuel products each week.

The wholesale-price index for food articles for the week ended Dec. 5 rose 19.95% from a year earlier, the commerce ministry said in a statement. The gauge was up 0.34% from the previous week, the slowest increase in more than a month.

The broader primary articles index rose 14.98% from the year-earlier period and 0.39% from seven days earlier. Fuel prices were barely changed from the previous week but were 3.95% higher than a year earlier.

Indian leader quits to protest state plan

By Vibhuti Agarwal

NEW DELHI—The political crisis in the southern Indian state of Andhra Pradesh deepened Thursday as the leader of the state's third-largest political party resigned to protest plans to divide the state.

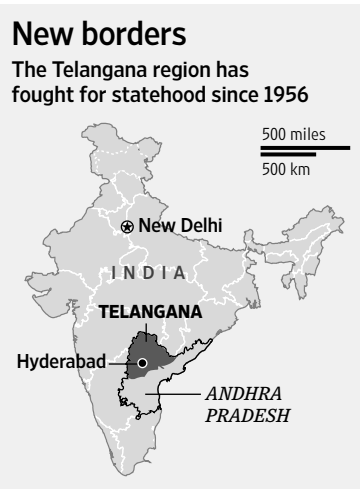
Actor-turned-politician K. Chiranjeevi, president of the regional Praja Rajyam Party, resigned from the state legislature to show his opposition for creating a new state of Telangana out of the western half of Andhra Pradesh.

"We shall bring required pressure on powers ... to ensure that the state stays united," Mr. Chiranjeevi told a news conference in Hyderabad, the state's capital.

Mr. Chiranjeevi is one of the most popular film stars in southern India. He used his film-hero image from more than 200 movies to launch his own party in 2008. In the state assembly elections this year he drew huge crowds whenever he spoke. His platform advocating rights for the poor also helped his party win enough votes to make him an important player in local politics.

The movement for a separate state dates back to 1956 when the Telangana region, around Hyderabad, was absorbed by the state of Andhra Pradesh. The Telangana region is spread over 10 of the 23 districts that make up Andhra Pradesh. Some residents have been demanding a separate state for decades, arguing that the region suffers from high poverty and unemployment rates as well as a lack of proper irrigation facilities because it has been neglected by the current state.

Last week, the national government seemed to accede to demands for a separate state when India's home minister, P. Chidambaram, said a resolution to form the new state would be introduced in the local assembly. He didn't indicate any time frame for when this might happen.



While Mr. Chiranjeevi used to support the movement for a separate state, he and his party switched positions. All 18 legislators from his party have submitted their resignations to support a united Andhra Pradesh. The speaker of the local assembly has yet to accept their resignations.

A party spokeswoman, Vasireddy Padma, said the party reversed its stance in order to keep its constituents from suffering through a division of the state. She said the party was "respecting the sentiments of majority of the people of Andhra Pradesh."

Rallies, roadblocks and other protests continued throughout the state. Students at Osmania University in Hyderabad, the nerve center for the independent statehood movement, vowed to boycott movies featuring Mr. Chiranjeevi and his family because they support a united Andhra Pradesh.

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WORLD NEWS

Bernanke nomination clears panel

By Corey Boles

WASHINGTON—The Senate Banking Committee voted 16-7 in favor of giving Federal Reserve Chairman Ben Bernanke a second term Thursday. One Democrat joined six Republicans opposing the move.

The full Senate is expected to take up Mr. Bernanke's nomination shortly after lawmakers return from the holiday recess Jan. 19.

"I believe that Chairman Bernanke must...receive credit for the critical role he played in the events of last fall," said Sen. Christopher Dodd (D., Conn.), the chairman of Senate panel. "And while the judgment of many is still out on that, I happen to believe that had he and others not acted at a time of critical importance to our country we would be looking at a far more dire situation than is the case."

Sen. Richard Shelby (R., Ala.), the top Republican on the committee, voted against Mr. Bernanke. "I strongly disapprove of some of the past deeds of the Federal Reserve while Ben Bernanke was a member and its chairman, and I lack confidence in what little planning for the future he has articulated," he said.

Sen. Jeff Merkley (D., Ore.), the lone Democrat dissenting on the vote, has expressed significant doubts about the Fed's market interventions in a bid to mitigate the impact of the financial crisis.

Mr. Bernanke's first four-year term expires Jan. 31. He was renominated for a second term in August by President Barack Obama.

Before the vote Thursday, Sen. Jim Bunning (R., Ky.) urged the panel to hold up Mr. Bernanke's renomination until the Fed provided more information to lawmakers on its activities in the past year.

Mr. Bunning has repeatedly asked the Fed for detailed documents about its interventions regarding American International Group Inc. and other troubled financial companies. He said Fed officials have largely ignored his demands.

"I hope and ask that every member of the committee will join me in demanding that we be given this information before moving forward," Mr. Bunning said. "We must know what the Fed is hiding from us and from the American people."

Another Republican member of the panel, Sen. Bob Corker (R., Tenn.), said that while Mr. Bernanke had made mistakes, he still supported him because he couldn't think of anyone else who could do a better job. Mr. Corker also said he wanted someone who was familiar with the Fed's "expanded balance sheet" to deal with it to avoid the specter of "huge inflation."

A handful of lawmakers plan to try to delay a confirmation vote on the Senate floor next year.

These include several of the Republicans who voted against Mr. Bernanke on the banking committee, as well as Sen. Bernie Sanders (I., Vt.).

The senators wouldn't be able to hold up a vote indefinitely, but they could force a lengthy debate on the Senate floor before a vote occurred.

They want the Democratic leadership to allow a vote on a separate measure that would require an audit of the Fed's balance sheet.

House lawmakers approved a similar measure as part of sweeping legislation to overhaul the regulation of the financial sector last week.

Getty Images (Bernanke); Bloomberg News (Shelby)

Sen. Richard Shelby (R., Ala.), left, voted against confirming Federal Reserve Chairman Ben Bernanke, right, for another term as head of the U.S. central bank.

Singapore's exports rise after long slide

By Se Young Lee

SINGAPORE—Singapore's exports rose in November for the first time in 19 months as shipments to the European Union and China surged, with the breadth of the recovery auguring well for the economy.

Nonoil domestic exports rose 8.7% from a year earlier, International Enterprise Singapore said in a statement Thursday. In October, exports fell a revised 6.2%. The headline figure was boosted by robust growth in nonelectronic exports, while the fall in electronic shipments continued to moderate.

"I think the strength of the bounce in specific sectors caught many by surprise. Mainly, the pharmaceutical shipments pharmaceutical shipments actually did a lot better than people expected," Barclays Capital economist Wai Ho Leong said.

The median forecast of seven economists polled by Dow Jones Newswires was for exports to have grown 2.5%. The pace of growth exceeded the forecast of all the individual economists surveyed.

"The improvement is consistent with the pattern around the region showing that exports have picked up from their weakness at the beginning of the year," Action Economics economist David Cohen said. "There's still some nervousness, the uncertainty clouding the sustainability of the recovery in places like the U.S. and Europe, but so far the trend is continuing, and together with the momentum in places like China that's supportive of export demand."

Barclays' Mr. Leong said that leading indicators from the U.S. and purchasing-managers indexes in the region "all tell us basically the recovery story is pretty intact, although the rates of growth will start to moderate."

Exports to the U.S.—Singapore's single-largest export market—fell 12.6% from a year earlier after a 10.9% decline in October. Shipments to the European Union rose 17.9% after declining 21.7% in October, while exports to China rose 22.4% after falling 6.9%.

Electronic exports fell 6.1% from a year earlier due to weaker shipments of parts of personal computers, diodes and transistors as well as disk drives. Still, that was an improvement from a decline of 13.8% in October.

Nonelectronic exports rose 19% due to higher shipments of pharmaceuticals, petrochemicals and civil-engineering equipment parts. Such exports fell 0.6% in October.

From a month earlier and adjusted for seasonal variations, exports rose 19.8%, compared with a revised 12.7% fall in October.

Drones kill militants in Pakistan

By Zahid Hussain

ISLAMABAD—Five drones fired 10 missiles that killed at least 14 suspected militants in Pakistan's northwestern border region, in one of the biggest attacks in the U.S. campaign of missile strikes.

The strikes could exacerbate tensions between the U.S. and Pakistan at a time when their alliance is strained on several fronts.

A Pakistani security official said the missiles targeted suspected militant hideouts in the Ambarshaga area of North Waziristan. The official said there was a separate missile attack in Miranshah, in the same region, though details of casualties weren't available. It wasn't clear whether there were any prominent militants among the dead in either attack.

The U.S. strikes come after Pakistani military authorities turned down a U.S. demand to extend Pakistan's antimilitant campaign in neighboring South Waziristan to target Sirajuddin Haqqani, a powerful Taliban commander based in North Waziristan, the security official said.

American officials say Mr. Haqqani presents a serious threat to the U.S.-led coalition forces in Afghanistan. Pakistani officials have complained publicly that the drone strikes infringe Pakistani sovereignty and fuel anti-American sentiment, though some have acknowledged privately that the strikes have been effective in killing insurgents.

But distrust between the two nations appears to be increasing, with Pakistan seeking to impose security checks on U.S. diplomatic vehicles in Pakistani cities and tougher visa restrictions for American officials.

A U.S. official in Islamabad said the slow granting of visas by Pakistani authorities has forced American consulate offices to sometimes function with only 60% of the desired staff at a time when a new U.S. law approved aid for Pakistani civil programs.

> Distrust between the United States and Pakistan appears to be increasing.

"The situation may affect our new $1.5 billion social-sector programs as we need more staff to carry out the work," said the official.

Pakistani police last week impounded U.S. diplomatic vehicles in the eastern city of Lahore after American officials refused to let the vehicles be searched, citing diplomatic immunity.

Pakistani security officials also have accused Americans of using fake registration numbers on their vehicles. In some cases, police said the occupants of official vehicles were armed and couldn't prove their identity.

The U.S. official said the nation's diplomats strictly observe the country's laws.

American officials also complain that Pakistani authorities are taking much longer to process visa applications for U.S. diplomats and officials from the U.S. Agency for International Development. The spat over visas and vehicle searches was first reported in Thursday's edition of The New York Times.

In many cases, even U.S. diplomats who are posted for one year or more are given single-entry visas for a short period, requiring frequent renewal. A Pakistani foreign-ministry official, however, blamed the U.S. for the delay in the visa process, saying it was largely because most of the time the applicants don't provide the required information.

"We do not intend to deny visas to anyone, but they have to follow the procedure," the official said.

Some analysts said the issue exposes the growing strains in the relations between the two countries.

"It is a cumulative consequence of how the two countries see their security priorities," said Maleeha Lodhi, a former Pakistani ambassador and fellow at the Woodrow Wilson International Center for Scholars in Washington.

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WORLD NEWS

Insurgents hack drones

Militants use $26 software to breach weapons; Iran backing suspected

WASHINGTON—Militants in Iraq have used $26 off-the-shelf software to intercept live video feeds from U.S. Predator drones, potentially providing them with information they need to evade or monitor U.S. military operations.

*By **Siobhan Gorman, Yochi J. Dreazen** and **August Cole***

U.S Air Force

U.S. enemies in Iraq and Afghanistan have used off-the-shelf programs to intercept video feeds from Predator unmanned aircraft.

Senior U.S. defense and intelligence officials said Iranian-backed insurgents intercepted the video feeds by taking advantage of an unprotected communications link in some of the remotely flown planes' systems. Shiite fighters in Iraq used software programs such as SkyGrabber—available for as little as $25.95 on the Internet—to regularly capture drone video feeds, according to a person familiar with reports on the matter.

U.S. officials say there is no evidence that militants were able to take control of the drones or otherwise interfere with their flights. Still, the intercepts could give America's enemies battlefield advantages by removing the element of surprise from certain missions and making it easier for insurgents to determine which roads and buildings are under U.S. surveillance.

The drone intercepts mark the emergence of a shadow cyber war within the U.S.-led conflicts overseas. They also point to a potentially serious vulnerability in Washington's growing network of unmanned drones, which have become the American weapon of choice in both Afghanistan and Pakistan.

The Obama administration has come to rely heavily on the unmanned drones to monitor and stalk insurgent targets.

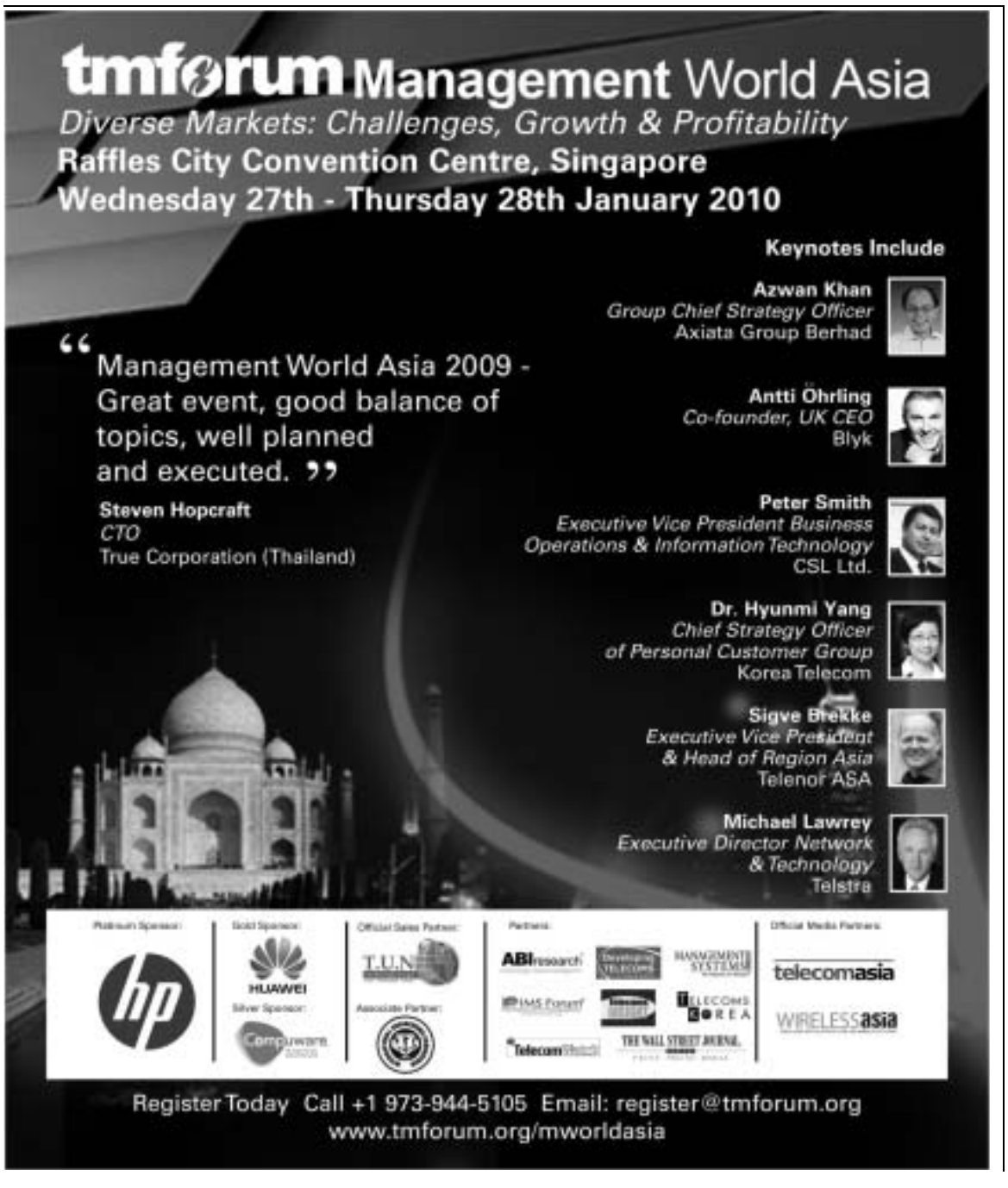
The stolen video feeds also indicate that U.S. adversaries continue to find simple ways of counteracting sophisticated American military technologies.

U.S. military personnel in Iraq discovered the problem late last year when they apprehended a Shiite militant whose laptop contained files of intercepted drone video feeds. In July, the U.S. military found pirated drone video feeds on other militant laptops, leading some officials to conclude that militant groups trained and funded by Iran were regularly intercepting feeds.

In the summer 2009 incident, the military found "days and days and hours and hours of proof" that the feeds were being intercepted and shared with multiple extremist groups, the person said. "It is part of their kit now."

A senior defense official said that James Clapper, the Pentagon's intelligence chief, assessed the Iraq intercepts at the direction of Defense Secretary Robert Gates and concluded they represented a shortcoming to the security of the drone network.

"There did appear to be a vulnerability," the defense official said.



U.S. dollar advances against major rivals

Continued from first page

traders to believe that the Federal Reserve will move to raise short-term rates sooner than other big central banks. That change in sentiment helped the dollar gain about 1% against the highflying Australian dollar and 1.3% against the British pound, which clipped a two-month low against the dollar.

On Thursday, the U.K. reported that retail sales declined by 0.3%, sharply worse than economists' expectations. The drop in sales sparked anew concerns that indebted British consumers will remain more focused on saving money than spending it.

"The fall in retail sales in November heightens concern that the upside for consumer spending will be limited for some time to come, and therefore hold back growth in 2010," says Howard Archer, chief U.K. and European economist at IHS Global Insight in London, in a note.

The picture is different in the U.S. In recent weeks employment and retail sales data have surprised to the upside. Meantime, not just the U.K. faces tough headwinds. The rest of Europe and the Middle East have been rattled by sovereign-debt concerns. Those debt fears intensified Thursday when Standard & Poor's Ratings Services announced it has revised criteria for rating covered bonds, a key market for euro-denominated debt.

The U.S. Dollar Index, which measures the dollar against a basket of currencies, is up 4.4% since Dec 1.

Sentiment regarding short-term interest rates has only recently changed. For instance, the dollar fell fastest earlier this year against the Australian dollar and the Korean won as investors bet that Asia-Pacific economies would expand more robustly than the U.S. in coming months and raise interest rates first.

But news in the past two days gave investors the feeling that the bet against the dollar-and the U.S. economy-had perhaps gone too far. Third-quarter growth in Australia came in below expectations, damping predictions for another near-term interest-rate increase there. Korean unemployment took an unexpected turn upward in November. And investors are worried that capital raising by Chinese banks will suppress lending there.

In one sign of how currency dynamics have changed in recent weeks, the Hong Kong dollar, which is pegged in a tight range with the U.S. dollar, has moved off the strong end of that band for the first time in months. The U.S. dollar rose 0.06% to HK$7.7556 in midday trading, its highest level since March.

The moves in Hong Kong come after its local stock and property markets have seen massive inflows of cash this year betting on an economic recovery. That has kept demand for the local currency strong and forced the Hong Kong Monetary Authority to buy billions of U.S. dollars to maintain the peg. As a result, foreign-currency reserves of Hong Kong have risen to $256 billion at the end of November from $182.5 billion at the end of last year.

But now flows seem to be leaving, possibly a result of investors taking profits and converting the gains into U.S. dollars to return to home markets. The Hang Seng Index fell 1.2% Thursday. Other Asian currencies, which have been the biggest beneficiaries of dollar weakness also retreated Wednesday. The dollar strengthened 1.42% in midday trading against the Korean won, forcing it to a six-week low. The dollar rose above 90 Japanese yen for the first time since Dec. 7, prompting relief among Japanese officials concerned a strong yen would weigh on the struggling economy there.

"I'm welcoming the recent trend," said Naoto Kan, Japanese deputy prime minister. "I am advocating a weak yen to a certain extent."

Hastening the dollar's rise has been the reversal of large bets that figured the dollar's decline would persist.

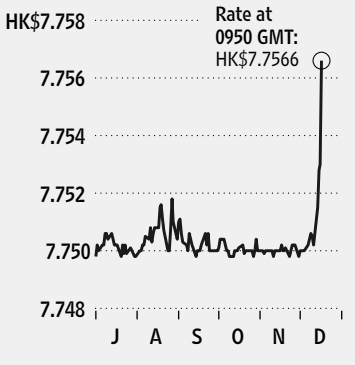
"It's a nice break for the dollar," said Adam Reynolds, Asian co-head of fixed income and currencies for Société Générale in Hong Kong. He says many currency players had been banking on the dollar falling and have been forced to sell positions to cut losses, creating a cascade in favor of the dollar. Technical factors and positioning by market players indicate the dollar has more room to rise in coming days, he said.

—Neil Shah and Takeshi Takeuchi contributed to this article.

Dollar moves

The U.S. dollar has strengthened broadly, forcing the Hong Kong dollar off the strong end of its pegged range for the first time in months.

How many Hong Kong dollars one U.S. dollar buys



U.S. dollar index

Source: Reuters Investor via WSJ Market Data Group

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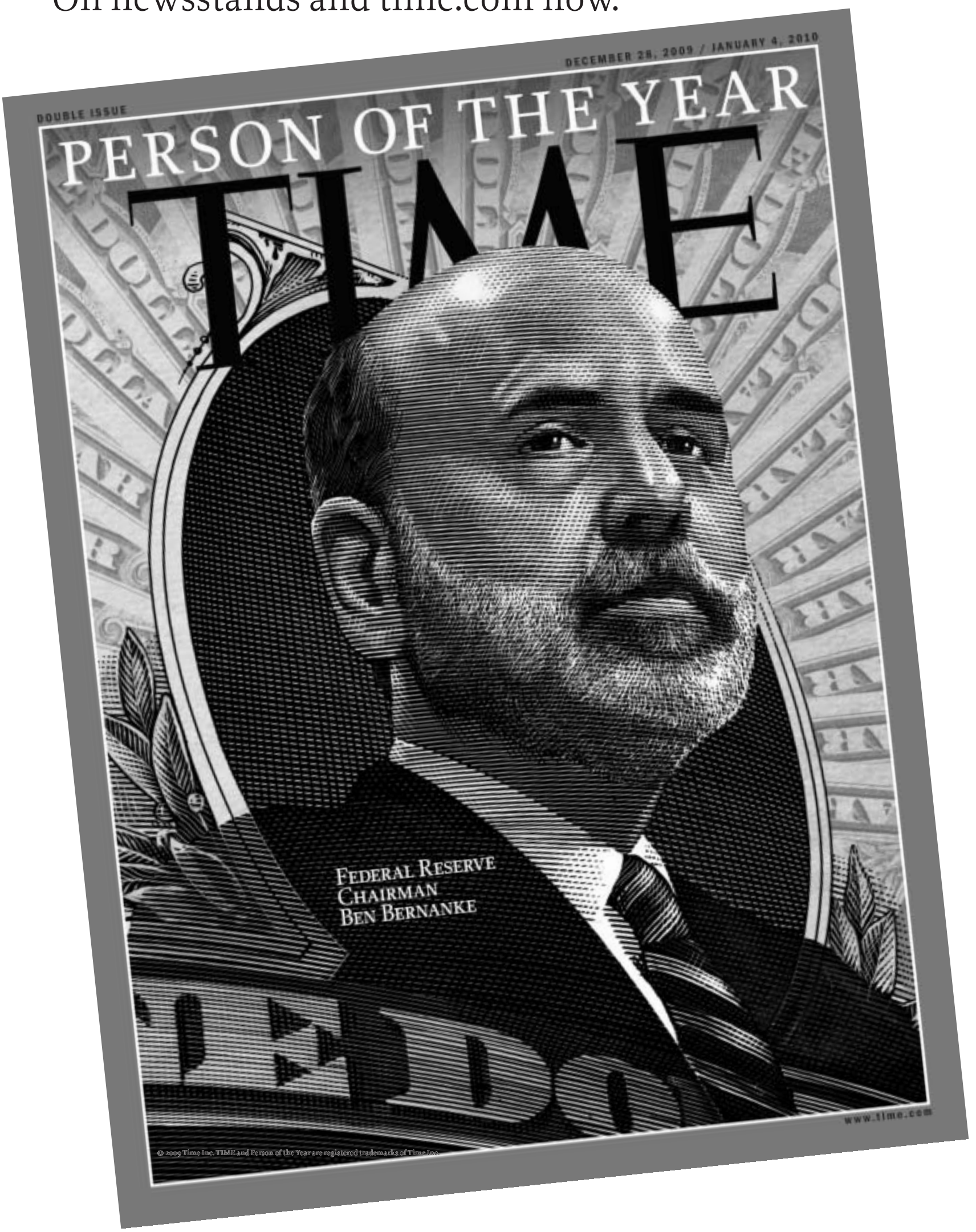
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Cap and Trade in Practice

The world's carboncrats are beavering away this week on a vast new global cap-and-trade scheme that President Obama wants the U.S. to join. But before we do, maybe Americans should understand how this already works in practice. Union workers, take note.

The Kyoto Protocol of 1997 required signatories to reduce their carbon emissions, and the European Union in 2005 launched its own cap-and-trade system. The program sets a limit on carbon emissions, and companies are issued free carbon allowances that they can buy or sell based on their emissions needs.

Fast forward to this month's news that Corus, Europe's second-largest steel producer, is shuttering a giant U.K. steelmaking plant at Redcar, cutting 1,700 jobs. Corus blames the recession that has cut steel demand and says the British government hasn't done enough to help it.

Whatever the truth of that, there's little doubt that cap and trade made the closure much easier. The decline in steel production means European steelmakers have surplus carbon allowances. According to Carbon Market Data, a European research firm, in 2008 Corus had the second largest surplus of EU carbon allowances—7.5 million.

The EU is looking for ways to drive today's depressed allowance price of about $21 apiece back up to former highs of about $50, so Corus has the potential for a $375 million windfall. Nor is it alone. As of 2008, the largest owner of surplus credits was steelmaker ArcelorMittal, with 20.8 million allowances, currently worth $436 million. Industrial conglomerate ThyssenKrupp comes in third with 5.6 million surplus allowances, worth $118 million. By closing Redcar's annual capacity of three million tons of steel, Corus will produce six million fewer tons of CO_2. That means more carbon allowances, which could translate into about $300 million a year if credits hit $50. Corus is essentially being paid to lay off British workers.

> How to get paid for laying off workers.

Corus will also profit if it moves the production to India. As part of Kyoto, the United Nations created the Clean Development Mechanism to encourage Western companies to invest in developing-world factories. Participants are financially rewarded based on the amount of carbon they "save" with more efficient plants.

Corus was bought in 2007 by Tata, India's largest steel company. The Indian steel industry is set to more than double production to some 124 million tons a year by 2011-2012. Were Corus to move production to a "clean" Indian factory, it could receive hundreds of millions of dollars annually from the Clean Development Fund. The kicker is that none of this results in fewer carbon emissions. A Corus plant in India might be more efficient by Indian standards, but it will be no more efficient than Redcar.

We should add that all of this is precisely what Kyoto envisioned. The idea is to tax Western industry and then send the proceeds to developing countries as an incentive to join the anticarbon crusade. But unless governments close their borders to foreign investment, business will flow to where the carbon tariff is least punishing. China and India understand this, which is why they won't agree at Copenhagen to anything that reduces this advantage.

The Corus story also shows that cap and trade isn't really a free market. Markets develop to efficiently allocate resources and capital. Carbon cap and trade is a government-rigged market, in which carbon allowances are dispensed based on political influence. Such a system is ripe for manipulation, and Corus is merely the latest example.

To summarize: Cap and trade is a scheme that would impose heavy carbon taxes and allowances on U.S. industries, which would then have an incentive to move overseas themselves, or to sell those allowances to overseas companies that could use them to become more competitive against U.S. companies. Like the 1,700 Brits at Redcar, American workers would be the big losers.

Bananas No More

World Trade Organization chief Pascal Lamy called it "one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO." News reports routinely refer to it as one of the longest-running trade disputes in the world. It concerns what an esoteric philosopher once called "proof of the existence of God." After the Berlin Wall fell, it was handed out in bunches like "celebratory bouquets."

We mean bananas, of course. This week, the interminable trade dispute between the EU and Latin America over that user-friendly fruit appears to have drawn to a close. The EU will lower its tariffs on Latin American bananas, banana prices will fall a little in Europe, and the fruit will trade a little more freely in the global marketplace.

The deal will phase in over nearly a decade, and in 2017 the European Union will still hit Latin American bananas with a tariff of €114 a ton, while providing tariff-free access for banana-growers fortunate to live in former French colonies and other privileged locales. That's not exactly a free-trade revolution. But it's a far cry from the days when French wine, Scotch whisky and cashmere sweaters were variously dragged in as tariff--hostages in banana wars. As recently as five years ago, the former Soviet satellite states of Central and Eastern Europe feared that EU import quotas would deprive them of their beloved bananas.

Even now, advocates for the African, Caribbean and Pacific countries that enjoy privileged access to the EU market—and will continue to do so under the deal agreed this week—insist that this is not about protectionism, but about big, bad multinationals ruining the livelihoods of small farmers. As part of the deal, small farmers who just happen to live in former European colonies will get a one-time payoff of €200 million to ease the blow from greater competition for European banana budgets.

We'll leave it to others to ponder the deeper significance of the EU's banana preoccupation, but whether it's regulations on their curvature or tariffs, quotas and now subsidies, bananas have long enjoyed an outsized role in the doings of Brussels. Given the fraught history, it's almost hard to believe that this dispute has been put to rest for good. At this point, we'll settle for half a banana.

Aloha, Segregation

President Obama speaks proudly of his childhood in Hawaii, so we wonder what the state's voters think of his support for a bill that would redistribute its wealth based on race. That's what would happen under the Native Hawaiian Government Reorganization Act, which Congress is trying to sneak through in its final days this year.

Sponsored by Senator Daniel Akaka, the bill would transfer a percentage of public-owned lands to a native Hawaiian government within the state of Hawaii. The legislation would collect some 400,000 ethnic Hawaiians scattered across the country into a newly affiliated tribe, eventually endowed with the powers of a sovereign state, including freedom from state taxes and regulations and separate police power.

> The Akaka bill would create a race-based state in Hawaii

Proponents say the plan would duplicate the legal scenario set up for Native Americans, but the Akaka bill carves out new territory. Unlike Indian tribes made up of tightly knit populations that have lived together continuously, participation in the new group would be available to nearly anyone able to trace their roots back to a Native Hawaiian ancestor, no matter where they now reside. U.S. Civil Rights Commission member Gail Heriot told Congress in June that, "If ethnic Hawaiians can be accorded tribal status, why not Chicanos in the Southwest? Or Cajuns in Louisiana?"

Under the Akaka bill, someone will have to divine exactly who qualifies as a Native Hawaiian. In the bill's current version, the determination would be handled by a nine member commission staffed by experts in native Hawaiian genealogy. That, says the U.S. Civil Rights Commission, amounts to racial discrimination and would "subdivide the American People into discrete subgroups accorded varying degrees of privilege."

The Supreme Court has already ruled that elections based on a blood quota violate the Fifteenth Amendment's ban on restricting voting along racial lines. In its 2000 decision in *Rice v. Cayetano,* the Court held that the Office of Hawaiian Affairs could not hold elections limited to ethnic Hawaiians. "Ancestry can be a proxy for race," the court wrote, "and is that proxy here."

While the current version of the Akaka bill doesn't offer specifics on which lands and natural resources would be transferred to a new sovereign Hawaiian state, earlier versions contained striking demands by Native Hawaiian groups. According to Tom MacDonald at Aloha for All, which opposes the Akaka bill, original demands included the transfer of all lands taken by the U.S. government including military bases and national parks which could be leased back at market value.

With some 38% of the state falling under public ownership and thus theoretically available for transfer, the benefits accruing to racial Hawaiians could be significant. For those without a drop of Hawaiian blood, the amount of lost tax revenue and other costs will also be sizable. According to a study by the Grassroot Institute of Hawaii and the Beacon Hill Institute, the total amount of state tax and land lease revenue lost annually annually could range from $342.8 million to $689.7 million, depending on the percentage of public land ceded to the project.

The state could also expect to lose as many as 20,000 private sector jobs and more than $200 million in investment. The burden will fall on non-Native taxpayers, costing the average taxpayer between $705 and $1,461 in real disposable income a year.

Perhaps that's why polls show that despite the support of the Congressional delegation, Hawaiians themselves have mixed feelings. According to a Zogby poll this week, a majority of Hawaiians oppose the bill and 76% oppose higher taxes to pay for the new nation tribe. Even Hawaii Governor Linda Lingle, a longtime proponent of the legislation, has been having second thoughts about her support after proposed changes to the text this week.

Senator Akaka clearly hopes a Democratic Congress will push through the bill that has failed many times. But Hawaii was created in a spirit contrary to the racial exclusivity shaping the legislation, and Congress shouldn't let that history fall victim to victimhood.

OPINION

The Health Bill Is Scary

By Tom Coburn

I recently suggested that seniors will die sooner if Congress actually implements the Medicare cuts in the health-care bill put forward by Senate Majority Leader Harry Reid. My colleagues who defend the bill—none of whom have practiced medicine—predictably dismissed my concern as a scare tactic. They are wrong. Every American, not just seniors, should know that the rationing provisions in the Reid bill will not only reduce their quality of life, but their life spans as well.

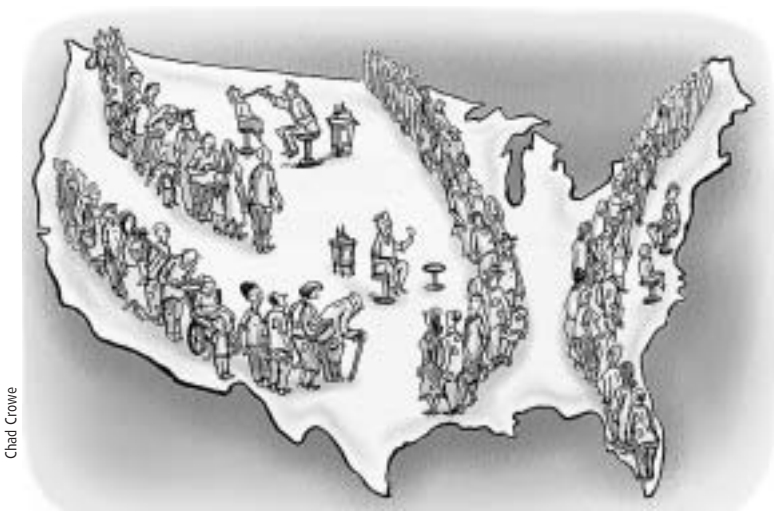
Government guidelines would likely have forbidden the test I used to discover Sheila's cancer.

My 25 years as a practicing physician have shown me what happens when government attempts to practice medicine: Doctors respond to government coercion instead of patient cues, and patients die prematurely. Even if the public option is eliminated from the bill, these onerous rationing provisions will remain intact.

For instance, the Reid bill (in sections 3403 and 2021) explicitly empowers Medicare to deny treatment based on cost. An Independent Medicare Advisory Board created by the bill—composed of permanent, unelected and, therefore, unaccountable members—will greatly expand the rationing practices that already occur in the program. Medicare, for example, has limited cancer patients' access to Epogen, a costly but vital drug that stimulates red blood cell production. It has limited the use of virtual, and safer, colonoscopies due to cost concerns. And Medicare refuses medical claims at twice the rate of the largest private insurers.

Section 6301 of the Reid bill creates new comparative effectiveness research (CER) programs. CER panels have been used as rationing commissions in other countries such as the U.K., where 15,000 cancer patients die prematurely every year according to the National Cancer Intelligence Network. CER panels here could effectively dictate coverage options and ration care for plans that participate in the state insurance exchanges created by the bill.

Additionally, the Reid bill depends on the recommendations of the U.S. Preventive Services Task Force in no fewer than 14 places. This task force was responsible for advising women under 50 to not undergo annual mammograms. The administration claims the task force recommendations do not carry the force of law, but the Reid bill itself contradicts them in section 2713. The bill explicitly states, on page 17, that health insurance plans "shall provide coverage for" services approved by the task force. This chilling provision represents the government stepping between doctors and patients. When the government asserts the power to provide care, it also asserts the power to deny care.



Chad Crowe

If the bill expands Medicaid eligibility to 133% of the poverty level, that too will lead to rationing. Because Washington bureaucrats have created a system that underpays doctors, 40% of doctors already restrict access to Medicaid patients, and therefore ration care.

Medicaid demonstrates, tragically in some cases, that access to a government program does not guarantee access to health care. In Maryland, 17,000 Medicaid patients are currently on a waiting list for medical services, and as many as 250 may have died while awaiting care, according to state auditors. Kansas, the home state of Health and Human Services Secretary Kathleen Sebelius, faces a Medicaid backlog of more than 15,000 applicants.

* * *

Other unintended consequences of the Reid bill could wreak havoc on patients' lives. What happens, for instance, when savvy consumers commanded to buy insurance realize the penalty is the de facto premium? It won't take long for younger, healthier Americans to realize it's cheaper to pay a $750 tax for coverage instead of, say, $5,000 in annual premiums when coverage can't be denied if you get sick.

OMB Budget Director Peter Orzsag's belief that mandatory health insurance will become a "cultural norm" is bureaucratic naivete that will produce skyrocketing premiums and reduced care for everyone. My state's own insurance commissioner, a Democrat, recently confirmed this concern to me in a letter noting that "the result will be higher insurance rates due to a higher percentage of insured being higher risk/expense individuals."

But the most fundamental flaw of the Reid bill is best captured by the story of one my patients I'll call Sheila. When Sheila came to me at the age of 33 with a lump in her breast, traditional tests like a mammogram under the standard of care indicated she had a cyst and nothing more. Because I knew her medical history, I wasn't convinced. I aspirated the cyst and discovered she had a highly malignant form of breast cancer. Sheila fought a heroic battle against breast cancer and enjoyed 12 good years with her family before succumbing to the disease.

If I had been practicing under the Reid bill, the government would have likely told me I couldn't have done the test that discovered Sheila's cancer because it wasn't approved under CER. Under the Reid bill, Sheila may have lived another year instead of 12, and her daughters would have missed a decade with their mom.

The bottom line is that under the Reid bill the majority of America's patients might be fine. But some will be like Sheila—patients whose lives hang in the balance and require the care of a doctor who understands the science and art of medicine, and can make decisions without government interference.

The American people are opposing this bill in greater numbers every day because the facts of the bill—not any tactic—are cause for serious concern.

Dr. Coburn, a physician, is a Republican senator from Oklahoma.

Breaking the Deadlock at Doha

By James Bacchus

The World Trade Organization's latest confab on the Doha Round didn't produce a deal, and public statements in the wake of the meeting suggested that any agreement may be a long way off. But behind closed doors, there is some cause for optimism—if political leaders among the 153 member countries, especially those in the United States, can summon the political will and courage to move forward.

After eight long years of negotiations, most WTO members think the current "package" of negotiated trade concessions is sufficient, and want to conclude the round where it stands. The economic climate has given many members a sense of urgency: A global trade deal would increase trade, discourage protectionism and do much to spur the job growth that is trailing overall renewed growth in the U.S. and elsewhere.

Yet the Obama administration still isn't onboard with a deal. Trade Representative Ron Kirk said at the Geneva WTO meeting earlier this month that the deal as it currently stands does not deliver "meaningful market access in the part of the world that will be growing and driving GDP growth over the next few years," referring to fast-growing developing countries such as China, India and Brazil.

It's difficult to sell Washington's approach to other WTO members. At this month's meeting, Brazilian Foreign Minister Celso Amorin said, "It is unreasonable to expect that concluding the round would involve additional unilateral concessions from developing countries." Many other WTO members—developing and developed countries alike—echoed Mr. Amorin's sentiments, and accused the Americans of delaying and possibly dooming the conclusion of the round.

Yet there's still reason to hope for a breakthrough. Many of the same trade diplomats who denounced the U.S. publicly in Geneva say privately that they fully understand the politics at work. President Obama is facing a Democratic Party-led Congress that wants more concessions for the U.S. than what former President Bush was able to negotiate.

Mr. Obama needs to summon the political courage to push through free trade.

Mr. Obama needs to produce jobs, but also steer Democrats away from protectionism.

Most trade negotiators seek more effective U.S. engagement and want to help America's new, multilaterally minded president to succeed. For these reasons, they acknowledge privately that in the end, they would be willing to give the U.S. more on trade—but not for free, and not unilaterally. These are, after all, trade negotiators who believe in reciprocity.

The sticking points are clear. The U.S. wants more market access for agriculture, manufacturing and services, particularly in emerging markets. Developing countries want the U.S. to make additional cuts in trade-distorting agricultural subsidies, accept less latitude in applying trade restrictions on imports and accept less protection of such industries as steel and textiles.

The question now is whether Mr. Obama will assert the political will to offer additional concessions in the face of determined domestic political opposition, or not. His decision in September to impose additional tariffs on imports of Chinese tires sent the wrong signal, as did other trade disputes with Canada and Mexico.

But now the president may be changing his stance. At his recent jobs summit, he called expanding exports a "short-term imperative" for an American economy still reeling from high unemployment. On his trip to Asia last month, he inked a small trade deal with Pacific Rim nations and called for a successful conclusion of the Doha Round.

Big questions remain. To achieve additional market access for American exports, would the president be willing to take on the labor unions that oppose trade and are among his strongest supporters? Would he be willing to confront the opposition of protectionist interests that wield pivotal electoral votes in "rustbelt" states? Would he be willing to employ his considerable eloquence to make the case for freer trade to the American people?

There is no lack of politicians around the world willing to tell the voters back home that—as Mr. Kirk put it pointedly in Geneva—"the pain of trade is real." There are all too few leaders in the U.S. and everywhere else in the world with enough political courage to explain to voters that the gains from trade are equally real, and can greatly exceed the pain by creating more and better jobs with a brighter future.

It's by no means just America's fault that the Doha Round has stalled. But since the U.S. is the world's largest economy, a push from Washington to conclude a global trade deal would go a long way. In his first year in office, Mr. Obama has shown uncommon political courage on issues ranging from Afghanistan to health care to climate change. It's time to add free trade to that list.

Mr. Bacchus is a former chairman of the World Trade Organization's Appellate Body, Congressman and U.S. trade negotiator. He is currently a partner at Greenberg Traurig in Washington.

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IN DEPTH

Profligate to penny pincher: the new American consumer

Companies are tackling the change by turning their marketing upside down; 'I feel guilty spending too much'

By Lisa Bannon And Bob Davis

NEXT SPRING, Fine Living Network, a cable channel created in 2002 at the height of America's infatuation with affluent living, is slated to be phased out. In its place, **Scripps Networks Interactive** Inc. will launch the Cooking Channel.

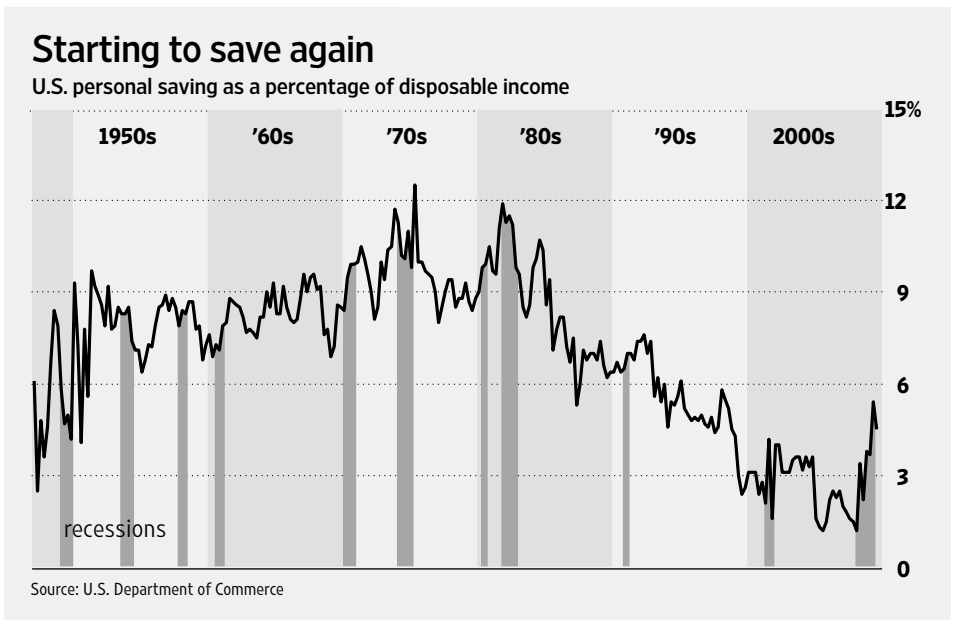
Gone will be "I Want That!" celebrating diamond-encrusted sinks, and "Dream Drives," showcasing America's richest ZIP codes. Instead, viewers will see shows focusing on instructional cooking at home.

"It's not so much [that we have] a different audience but an audience that's acting different," said John Lansing, president of Scripps Networks Interactive. "Their value system is shifting from aspiring to material wealth to aspiring to a life better lived."

The economy appears to have begun recovering after the worst recession in half a century. But businesses ranging from shoemakers to financial services to luxury hotels don't expect American consumers to return to their spendthrift ways anytime soon. They see consumers emerging from the punishing downturn with a new mindset: careful, practical, more socially conscious and embarrassed by flashy shows of wealth.

Much as the 1930s shaped the spending habits of an entire generation, many companies now anticipate a shift in consumer behavior that persists even after jobs and growth get back closer to normal.

"We seem to be at a cultural inflection point that we haven't seen since World War II," said Jim Taylor, vice chairman of market researcher the **Harrison Group**.



Last month it surveyed 1,800 affluent Americans and found that 48% think they could suffer major financial losses in the future. "People are getting used to being careful, and I don't know how you undo that," Mr. Taylor said.

Companies are tackling the change by turning their marketing upside down, with a range of strategies from more-cautious financial advice to a focus on experiences over possessions.

There's no guarantee Americans won't revert to their profligate ways once the economy recovers, as they did after Sept. 11, 2001. Some makers of luxury products are hedging their bets. **BMW** AG's 2009 U.S. sales were off 22.5% through November from a year earlier, according to Autodata Corp. BMW reacted to the recession by launching a new ad campaign that plays up the pleasure of a car rather than its luxury image. "The Joy of Driving" is the catch line.

Still, BMW's North America president, Jim O'Donnell, isn't sure about a durable change in consumer culture. "I have it in the back of my mind that consumers are saying in interviews that they'll change habits, but I'm yet to be convinced," he said. In case the change turns out to be more ephemeral than it now appears, BMW's "joy of driving" campaign could morph into a theme that's more hedonistic. BMW looks at "joy" as a flexible concept. "You can twist" the idea, Mr. O'Donnell said.

But the longer economic hardship lasts, says John Quelch, a Harvard marketing professor, "the more people discover more cost-effective ways to live, and those coping mechanisms become engrained." So, while few companies expect change as long-lasting as the Depression produced, neither do they expect the changes from the deep recession to be fleeting.

In one significant shift, Americans are starting to save more. In October, they saved 4.4% of their disposable income, according the Commerce Department. That compares with an average annual savings of 2.7% for the past 10 years. The rate dipped to near zero at several points in recent years. Many economists expect the savings rate to increase further from here.

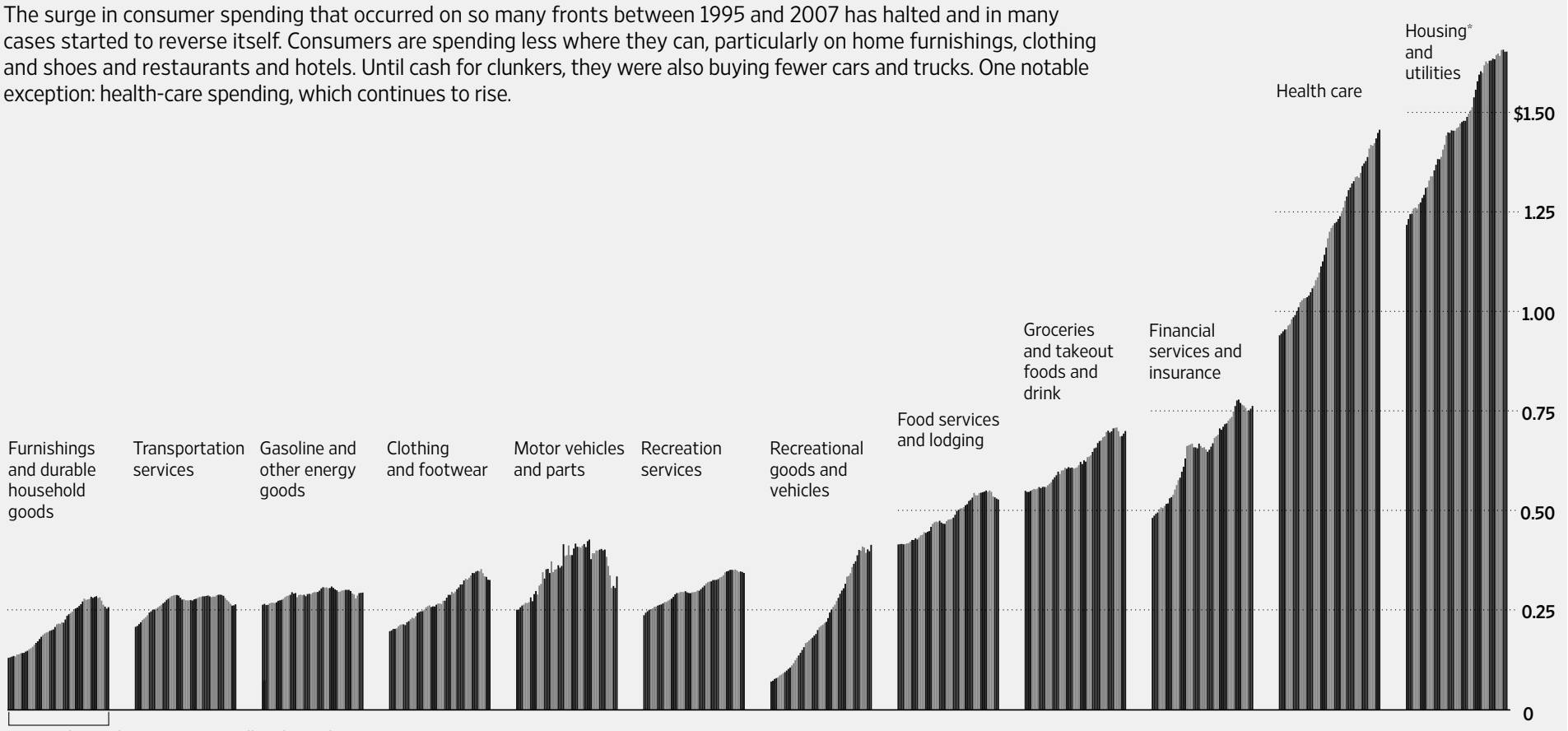
Consumers also say they worry more about social and environmental values than before. In surveys by **DYG** Inc., a Danbury, Conn., market-research firm, the proportion of respondents who say they have shopped for products for "social, political or environmental reasons" rose by 10 percentage points, to 51%, over the past year.

Although DYG's president, Madelyn Hochstein, is dubious that many people are actually shopping for such lofty reasons, "consumers are telling us this is the way they want to be seen," she said.

Brigitte Graulich, a 42-year-old mother of two in Las Vegas, used to buy an average of two designer handbags a month before the recession. She has cut her spending sharply, even though her husband's income as a restaurant owner remains the same.

Cutting back where they can

The surge in consumer spending that occurred on so many fronts between 1995 and 2007 has halted and in many cases started to reverse itself. Consumers are spending less where they can, particularly on home furnishings, clothing and shoes and restaurants and hotels. Until cash for clunkers, they were also buying fewer cars and trucks. One notable exception: health-care spending, which continues to rise.



Personal spending, at a seasonally adjusted annual rate, in trillions of 2005 dollars
1995 1st qtr.–2009 3rd qtr.

*Rents and how much owners would have to pay in rent if they leased their homes.
Note: Data are adjusted for inflation and the seasons.
Source: Commerce Department

"I think everyone's changed, rich or poor," she said. "You feel sympathetic for other people who lost their jobs. I feel guilty spending too much."

When she does spend, Ms. Graulich looks for items that don't scream luxury. "I'm more about keeping my logos inside," she said.

It's a message many consumer-products companies are taking to heart.

At the headquarters of **Timberland** Co. in Stratham, N.H., earlier this month, executives overseeing marketing, production and design held a meeting to brainstorm about what consumers will want more than a year from now.

The company's rugged work boots became a hot fashion brand starting in the 1990s. To meet avid demand from its trendy customers, Timberland churned out more and more shoes and boots with big metallic logos.

Now it is making a U-turn. The frugality first observed last winter is evolving, and what is considered "cool" has changed, said Andy Richard, senior director of merchandising. "Self-worth is tied to thoughtful purchases as a way to impress your peers, instead of conspicuous consumption."

Mike Harrison, chief brand officer, placed a boot on the table. "So that means smaller logos," he said. He pointed to a subtle stamp of Timberland's tree logo for fall 2010, which is replacing the flashy metallic logos of recent years.

"Thoughtful purchases" include products that are customized, handcrafted and eco-friendly, Mr. Harrison added. A boot for fall 2010 will feature a rubber sole that can be snapped off and recycled. The executives discussed whether the sole could be customized to consumer specifications for spring 2011. The target audience for the boot remains the same affluent urban male.

"This is a person who has the means to buy whatever he wants," Mr. Richard said. "But he's bragging to his friends that he's able to get this recycled shoe."

With consumers buying less, and Timberland betting that consumers' parsimoniousness is here to stay, the company is slashing its product line to 1,000 footwear items a season world-wide by the spring of 2011, from 1,700 in the fall of 2008.

In addition to buying less, some consumers are questioning their past emphasis on status symbols.

Michael Kania, a 56-year-old financial adviser in Weeki Wachee, Fla., recently traded in his Jaguar XJ for a Hyundai Genesis. He enjoyed his Jaguar's performance and cachet, he says, and he looked at new Jaguars, as well as BMWs and Fords, before deciding on the Genesis for its price-to-quality ratio.

"I had reservations about spending on a car from South Korea," Mr. Kania said. In the end, he decided the decision wasn't about the status symbol of the brand but "about what you can get for your money. All that stuff we thought was important isn't. I don't need flash anymore."

Within **Hyundai Motor** Co., executives recognized that "people become less brand-loyal" during a recession, said Joel Ewanick, vice president of marketing for the Korean company's U.S. subsidiary. "They do their homework. They gravitate to their wallet."

After focus groups showed widespread fears of job loss, Hyundai in January made people a special offer: If they bought a Hyundai but lost their job within a year, they could bring the car back. Then, from February through April, the company said it would also write buyers a check covering three car payments if they wanted to keep the car. "We're all in this together and we'll all get through this together," said Hyundai's advertising tagline.

Fewer than 200 people took the company up on those job-loss promises, but Hyundai believes consumers reacted to the sense of camaraderie its ads conveyed. Hyundai credits the pledges in the campaign for 15% of its 2009 sales, which have jumped—up 6.2% through November from a year earlier, according to Autodata.

The car maker plans to continue with some type of consumer "assurance" plan in 2010, because though figures show the economy improving, Mr. Ewanick said many people don't feel any change. "When you have a prolonged recession, one that seems to last two or three years, behavior becomes more entrenched," he said.

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Ritz-Carlton

Ritz-Carlton credits its new campaign with helping people feel comfortable about going on vacation again, and says business is on the upswing.

Financial giant **UBS** AG figures investors are dealing with what neurobiologists it consulted call "memory trace"—emotional turmoil that persists after a traumatic event. The market plunge a year ago left many investors afraid to take on risk, said Mike Ryan, head of UBS wealth-management research. "You have to be reconditioned to take on risk again," Mr. Ryan said.

The company's financial advisers began recommending to wary investors that they salt away enough cash in money-market funds and short-term Treasurys to pay for six months to two years of living expenses, or even five years for some investors. The advisers published the strategy in October, months after the stock market had begun a sharp recovery.

Fidelity Investments, the big mutual-fund company, found investors seeking more advice than they once did. In March, it ditched a five-year-old marketing campaign that touted individual mutual funds. In its place, Fidelity rolled out a campaign built around a "Turn Here" theme, with a green arrow reassuringly guiding investors along a path to their goal, like cars' navigation systems.

Most luxury brands are still reeling from the backlash that began last fall against anything that resembled excess. Many companies are trying to win back customers by repositioning their brand images. Rather than glamorizing indulgence, as many did in the past, some are going the opposite way, acknowledging consumers' ambivalence about luxury and emphasizing experiences over materialism.

In the past, Ritz-Carlton focused its message on the luxury hotel chain's sumptuous service, with one advertising image of a servant holding a silver tray. But its ad agency, Team One, discovered in focus groups last year that some customers felt guilty about lavish spending.

At the same time, people still wanted to take vacations. Team One advised Ritz-Carlton to acknowledge consumers' reluctance to spend.

"The customer is saying, 'Show me empathy for all the customers who have less money than before,' " said Mark Miller, executive director of strategic planning for Team One. "They are looking for permission to spend again."

In Ritz-Carlton's new ads, a series of photos show three children swimming in a lake. A camera zooms in as a boy jumps off a swimming dock. "You may be rethinking your vacation this year," the ad says. "Coincidentally, so are we."

The company credits the new campaign, as well as some discounts, with helping people feel comfortable about going on vacation again. Although its corporate parent, **Marriott International** Inc., doesn't break out results for the chain, Ritz-Carlton says business is on the upswing after bottoming out in the first quarter.

Even after the economy regains strength, Ritz-Carlton expects to have to offer deals to affluent customers. Said Bruce Himelstein, senior vice president, sales and marketing: "I think the consumer's mind has been reset on how to spend."

John Putnam, a 61-year-old resident of Del Ray Beach, Fla., was laid off last fall from a job as an investment analyst that paid a low six-figure salary. He and his wife then quit their country club, began giving dinner parties at home rather than eating in expensive restaurants, and started shopping at Wal-Mart instead of Bloomingdale's.

Though he recently got a new job, "I'm not sure, once things get better, we're going to change" their new, more-frugal way of shopping and spending, Mr. Putnam says. "Once you sort of get into it, it's not bad."

WSJ.com

Question of the day: Has the recession made a permanent change in your spending habits? Weigh in at **WSJ.com/Question**

FROM PAGE ONE

Talking points | Key issues in Taiwan-China trade negotiations

Issue	Status
Tariffs on machinery, textile and petrochemical	Taiwan seeks tariff-free sales in China of products from these sectors.
Ban on agricultural products	Taiwan vows not to open its market to more than 800 Chinese agricultural products. China wants Taiwan to amend its ban on Chinese agricultural goods to admit those Taiwan doesn't itself produce..
Ban on industrial products	China urges Taiwan to open its market to the some 1,300 Chinese industrial products. Taiwan hasn't disclosed its position on the issue.
Local currency service	Taiwan seeks right for Taiwanese banks to provide local-currency services in China. China tends to agree.
Chinese investments to Taiwan	China wants Taiwan to allow Chinese companies to invest in more industries, such as high-tech. Taiwan doesn't exclude the possibility of lifting the bans on non-sensitive sectors.
Investment Protection Agreement	Both Taiwan and China have showed interest in signing an agreement.

Source: WSJ reporting

China's Hu Jintao, left, and Taiwan's Ma Ying-jeou have made steady progress toward a trade deal that could remake East Asia.

Beijing, Taipei set stage for landmark pact

Continued from first page

1949, when the loser in China's civil war, Nationalist Party leader Chiang Kai-shek, retreated to the island with two million soldiers and civil servants.

China and the U.S., which was allied with Mr. Chiang, nearly came to blows over Taiwan in the 1950s, and again in 1996 when Washington dispatched two aircraft carrier battle groups to the waters near Taiwan after Chinese missile tests in the area. Today, China has more then 1,500 missiles pointed at Taiwan, while the island continues to acquire modern armaments from the U.S.

"Hu Jintao sees improving the relationship with Taiwan as part of his legacy," said Ralph Cossa, president of Hawaii-based think tank Pacific Forum CSIS. A breakthrough with Taiwan could put Mr. Hu on a par with his predecessor, Jiang Zemin, under whose watch China recovered the colonies of Hong Kong and Macau.

Formal unification remains a distant possibility. A majority of Taiwanese are against it in the near future, and any Taiwanese president who proposed it would risk being voted out of office.

Over the past few years, Mr. Hu's government has largely abandoned the sort of fiery threats toward Taiwan that Beijing routinely used to ward off moves toward formal independence.

But the Chinese leadership has put pressure on Taiwan, signing a series of free-trade deals with its Asian neighbors, including one with most of Taiwan's major competitors in Southeast Asia. When the pacts take effect next year, Taiwan's exports to China will become much more expensive. China has forbidden its regional partners from making similar deals with Taiwan.

"Without the agreement with China, it means game over for Taiwan," said Lin Chien-fu, an economist at the National Taiwan University. "We can only make a breakthrough with other countries when our relationship with China is improved."

A Taiwan government study said the pact would contribute 1.65% to 1.72% to Taiwan's gross domestic product, and create 263,000 jobs for some of the island's 23 million people once the two markets are fully open to each other.

Recent measures have already begun to help Taiwan. In the past, Taiwan prevented multinationals from integrating Taiwan into their global operations, driving many foreign companies to nearby Shanghai. Limits on banking and technology investment in China set back companies in those industries. Since President Ma took power, Taiwan has lifted several restrictions, including opening once-banned direct air and shipping links with China.

Many in Taiwan remain opposed to the deal. Some worry about lost jobs, and protests against it can be expected. Taiwan's opposition Democratic Progressive Party, which advocated Taiwanese independence, has its own study showing that the agreement would let inexpensive Chinese goods dominate the local market and eliminate 1.6 million jobs.

Mr. Ma was elected last year with a comfortable majority on a platform of improving ties with China. But he has had trouble communicating some of his policies, and the DPP and other critics complain he has carried out the rapprochement with Beijing without transparency. Few of the specific changes have been openly debated.

Next week's talks won't be the formal free-trade talks, but they are expected to set a time frame for them. Both governments have said they would like to do a deal under the right circumstances, and most observers expect an outline agreement to be signed in the first half of next year—including a list of zero-tariff products, which Taiwan hopes will include the financial, machinery and petrochemical industries. More details would be worked out incrementally, say Taiwanese negotiators preparing for the talks.

In addition to setting the framework for the free-trade deal, next week's talks should yield some concrete results, such as agreements on fishing-industry cooperation, quality checks of agricultural products, cooperation in inspection and certification, and the prevention of double taxation. In addition, the island is trying to ease visits by Chinese professionals, while some leading Taiwan universities are planning to attract Chinese students by offering them scholarships.

Ongoing talks about enabling Chinese banks to enter Taiwan have led some Taiwanese to worry that major Chinese banks, whose market capitalization is often 10 times that of their Taiwan counterparts, could easily take control of Taiwan banks, giving China crucial control over the island's economy. In response to the public's concerns, Taiwan's financial regulator said Chinese banks will initially be barred from buying stakes in their Taiwanese counterparts.

Rapprochement between the two sides

- **June 2008:** Taiwan and China reach agreements for direct flights and Chinese tourists' visits to Taiwan
- **July:** First Chinese tourist group lands in Taiwan
- **April 2009:** Both sides sign agreements for regular passenger and cargo flights, financial cooperation and mutual assistance in cracking down on crimes.
- **April:** Taiwan introduces a cross-Strait industrial exchange project to promote cooperation in 15 industries.
- **June:** Taiwan opens 100 industries to Chinese investments
- **June:** China sends the first procurement delegation to Taiwan
- **November:** The two sides sign a memorandum of understanding for financial investment.

China banks transfer loans to trust companies

Continued from first page

Shanghai Benefit says more than 160 billion yuan worth of bank loans went into trust products in November, a month when government data showed only 294.8 billion yuan in new loans.

The total amounts sold by individual banks aren't clear. While analysts say many banks are using this practice, China's three biggest listed banks declined to respond to faxed questions Wednesday and Thursday, as did the China Banking Regulatory Commission.

However, the regulator expressed concern about the relationship between banks and trust companies in a notice sent to trusts last month, according to a person familiar with the situation. The notice said the regulator was considering steps to restrict the ability of banks to use funds raised through such loan sales to make additional loans, according to another person who said he saw the document.

Charlene Chu, senior director at Fitch Ratings in Beijing, says the fact that a number of loans are no longer carried on banks' books suggests that official statistics have understated the growth in credit this year. "The government relies on money-supply and loan-growth measurements to determine monetary policy," Ms. Chu says. "But if you have banks extending a substantial amount of loans that officials can't see and can't control, management of monetary policy could become a problem."

Ms. Chu and a colleague issued a report Thursday that warned that "allowing such activity to continue in an unregulated manner with extremely poor disclosure could lead to substantial hidden contingent liabilities" at the banks involved.

What the Chinese banks are doing is in some ways similar to the financial machinations used by Western banks to move assets off their balance sheets earlier this decade. For example, banks such as Citigroup Inc. transferred assets to special-purpose vehicles, which then issued securities backed by those assets. That practice backfired during the financial crisis when the banks were forced to bring billions of dollars of those assets back onto their books at a time when the assets' values were plummeting and the banks were already struggling.

Chinese banks escaped the financial crisis basically unscathed, largely because regulators never allowed them to engage in the kind of financial engineering common in more-sophisticated economies. China only began trying asset securitization in 2005 and put the experiment on hold in 2007, when the technique became a byword for problems in the West. Unlike those securitization deals, which often involved risky assets such as subprime mortgages, analysts say China's banks are typically selling high-quality corporate loans to trust companies.

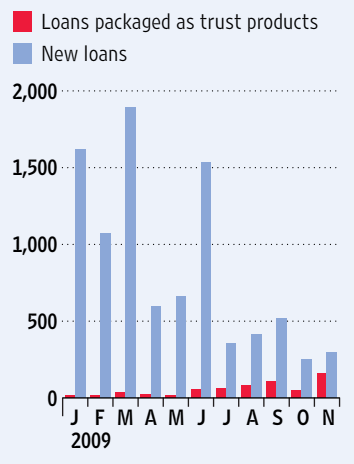
The trust companies occupy an unusual niche in China's financial sector. Less tightly regulated than other institutions, they operate more like hedge funds than anything typically labeled a trust in other countries. The trusts typically raise funds from corporate investors and wealthy individuals that they invest in many ways, including leasing, real-estate purchases and private-equity investments.

Ms. Chu of Fitch says Chinese banks started shifting loans to trust companies in 2007, when the government imposed lending caps to cool rapid economic growth. The banks wanted ways to continue lending without hitting their credit ceiling, she says.

—Rose Yu and Joy C. Shaw in Shanghai contributed to this article.

Trust issues

Loans sold by Chinese banks to trust companies, in billions of yuan



Sources: Shanghai Benefit Investment Consulting (Loans packaged); People's Bank of China (New loans)

As of 11 a.m. ET **Euro** 1.4349 ▼ 1.58% **Yen/US$** ¥90.17 ▲ 0.67% **Yen/A$** ¥79.98 ▼ 0.76% **Oil** 71.97 ▼ 0.95% **Gold** 1115.00 ▼ 1.81% **10-year Treasury** ▲ 19/32 yield 3.525% **3-month Libor** 0.25338

Retail investors may miss out on an IPO by Rusal
MARKETS 19

China pension fund looks to overseas investment
MARKETS 19

BUSINESS & FINANCE.

Friday - Sunday, December 18 - 20, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

NAB's AXA bid squeezes AMP

By Lyndal McFarland And Bill Lindsay

MELBOURNE, Australia—**National Australia Bank** Ltd. unveiled a surprise US$11.9 billion bid for **AXA** SA's Asia-Pacific unit, upstaging a rival offer from Australian funds manager **AMP** Ltd.

Nabbing an edge

■ Realizing the benefits of the deal won't be easy 26

Agence France-Presse

National Australia Bank's effort to buy AXA Asia Pacific could make a takeover target of AMP. NAB's logo is shown on the right.

The bank, Australia's third largest by market capitalization, now must convinced the unit's French parent to switch its support away from AMP's proposal. NAB already has the support of the independent directors of the unit, **AXA Asia Pacific Holdings** Ltd., which is 54% owned by AXA SA.

The acquisition of AXA Asia Pacific would propel either AMP or NAB into a clear market-leading position in the Australia and New Zealand life-insurance and wealth-management industries. The buyer would have the largest network of financial advisers in Australia.

If NAB's offer is successful, the deal could encourage further consolidation in the industry; AMP is likely to become a target, along with other asset managers, analysts say. In a statement, AMP—second only to **Commonwealth Bank of Australia** in terms of assets managed—said an exclusivity agreement it haswith AXA SA gives it "time to carefully consider its position." An AMP spokeswoman said the company won't comment on speculation it is a takeover target but remains aware of its obligations to disclose any serious offers.

"We need to carefully consider the announcement and will discuss it with AMP before we make any public statement," said a spokesman for AXA SA.

AXA Asia Pacific's shares closed up 13% at 6.37 Australian dollars (US$5.74), while NAB fell 4.7% to A$26.65 and AMP shares rose 4.1% to A$6.35.

Both proposals would give AXA SA what it has been seeking: a firm grip on its Asia unit as a platform for expanding its operations in the region. Despite its majority control, AXA SA hasn't been able to take over the rest of the company, largely due to AXA Asia Pacific Chairman Rick Allert and the unit's independent board.

Under both proposals, AXA SA would acquire the Asian operations of AXA Asia Pacific for A$9.13 billion. Under the NAB proposal, all minority shareholders have the chance to take a cash payment in return for their shares, while the AMP bid offers only a mix of cash and stock.

NAB's deal values AXA Asia Pacific's Australian and New Zealand wealth management businesses at A$4.61 billion, compared with the A$4.41 billion that AMP is willing to pay.

Mr. Allert said he is confident that NAB's proposal would win the support of at least 75% of minority shareholders, as required under the terms. "I've been in touch with... most of our major shareholders this week and that gives me confidence that this will go through," he said.

NAB is offering A$6.43 cash, or a combination of 0.1745 NAB shares and A$1.59 cash, for each share in AXA Asia Pacific not owned by the French parent.

AMP and AXA SA Monday increased their rejected November offer for the AXA unit to A$12.85 billion in cash and stock. Based on Wednesday's closing AMP price, this offer valued AXA Asia Pacific shares at around A$6.13 each. AMP said Monday its revised proposal was its

Please turn to page 20

Yum Brands bets on India's young for growth

By Julie Jargon And Arlene Chang

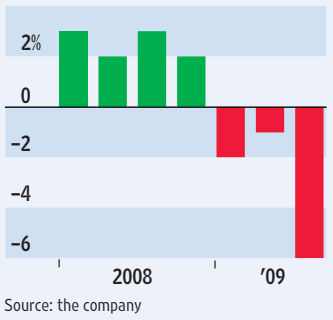
Yum Brands Inc. is gearing up for a major expansion in India early next year, where the restaurant chain hopes to position KFC and Taco Bell as youthful, hip brands in a nation of young consumers. The move comes as the Louisville, Ky., chain is struggling in the U.S. and sales in China, where Yum has expanded for 22 years, are slowing.

The restaurant industry has intensified its focus on overseas markets in the past decade as the U.S. has become saturated with fast-food chains. Emerging markets are becoming more important for global chains as the recession has taken its toll. **NPD Group** on Monday predicted that U.S. restaurant industry sales will remain weak through the first half of 2010.

Seeking lift

Yum Brands looks to India to offset sagging U.S. sales.

Change in sales at U.S. stores open at least a year



Source: the company

Yum's India push will put it in a race for the appetites of consumers in one of the world's most populous countries. Yum currently lags its big U.S. rivals. It operates 72 KFCs in India, compared to McDonald's Corp.'s 170 outlets. It has 158 Pizza Huts there while Domino's Pizza Inc. has 274 stores. Yum plans 1,000 restaurants in India by 2015, generating $1 billion in annual revenue.

"Our goal is to get India on the same growth trajectory we've had in China," where Yum now operates 3,500 restaurants, Yum chief executive David Novak said in an interview. China will deliver a third of Yum's projected $1.54 billion in operating profit this year.

Yum already has invested $100 million in restaurant development in India and plans to invest up to $120 million more in the next five years. Yum's India business isn't yet profitable. "We hope to break even by 2011 and be profitable thereafter," said Graham Allan, president of Yum's international division.

"India is still a small piece of the pie, but our hope is to turn it into a major contributor to sales and profits," he said. Sixty percent of Yum's profits now come from overseas markets.

Arlene Chang

KFC's parent will open 1,000 Indian fast-food outlets by 2015. Above, a KFC in Mumbai is one of 72 in India.

The company will open its first Taco Bell in the Indian city of Bangalore by March, then open another four or five test stores there later in the year. With the median age in India just 25 years, versus about 37 years in the U.S., Yum hopes to get teens and young adults hooked on its inexpensive food. The cheapest menu items will be tacos, priced between 35 cents and 45 cents each.

The menu will be similar to American stores, although spicier and more vegetarian. "What consumers are looking for is not an Indian version of Mexican food but a truly Mexican-inspired food experience," said Niren Chaudhary, general manager of Yum's India business.

Yum has designed its Indian stores to appeal to young adults. KFCs are decorated in bright colors, offer big, flat-panel TVs, and have seating areas where groups can freely mix. It is sponsoring an international cricket competition widely followed by young Indians. The company this year opened 27 KFCs in India, nearly twice the number opened in 2008. Pizza Hut bulked up its menu to include Masala Pizza and spicy Indian drinks.

A KFC in Bandra, a trendy Mumbai neighborhood, recently was buzzing with young people. "This is only the third or fourth time I am eating here, but I think it is a good hangout place," said Marilyn D'souza, a 17-year-old student.

Morgan Stanley analyst John Glass said in a recent note to investors, "We've been slightly disappointed since recommending Yum this summer, as a turn in China has yet to materialize and the U.S., along with the rest of [the fast-food industry], has labored." But he added, "we still contend that Yum is the best positioned to capture the growing global demand for food convenience, particularly in international markets."

In its fiscal third quarter ended Sept. 5, Yum's sales at stores open at least a year in China were flat compared to the prior-year period while same-store sales in the U.S. declined by 6%. Yum has about $10.8 billion in annual revenue.

China attacks plan for iron-ore deal

Steel group urges global antitrust authorities to reject proposed tie-up of Rio Tinto, BHP as threat to competition

By Chuin-Wei Yap

BEIJING—The Chinese steel industry Thursday upped the ante against the proposal by **Rio Tinto** Ltd. and **BHP Billiton** Ltd. to combine their iron-ore operations, describing it as a threat to the global steel market and calling for unified global opposition to the project.

The push by China comes as Brazil's **Vale** SA is moving to deepen cooperation with China's steelmakers, which could help ensure the flow of iron ore to China.

Vale, the world's largest iron-ore supplier, said Wednesday it is working to build huge shipping berths and iron-ore distribution centers that would reduce the cost of shipping ore to China, undermining the current advantage enjoyed by the Anglo-Australian miners. The plans, some of which require approval by Chinese authorities, signal that Vale is angling to grab a larger share of the Asian iron-ore market.

Thursday, a top Chinese steel executive said an increase in iron-ore prices next year is "unlikely." That view contrasted sharply with market expectations of a 10% to 20% increase in 2010 term prices, which China is about to negotiate with miners.

China, the world's largest iron-ore importer and consumer, saw its efforts to influence 2009 term prices fall apart this summer as the China Iron and Steel Association, then leading the negotiations, unsuccessfully held out for a deeper price cut than Rio Tinto and BHP had agreed on with other Asian customers.

Relations between CISA and the Anglo-Australian miners were already frosty over the imprisonment of four Rio employees on allegations of commercial spying and bribery during 2009 price talks.

"Steel businesses of all countries should unite to resist the Rio-BHP merger proposal," the association said Thursday in a statement published in Chinese-language media. "All countries should use antimonopoly measures to block any attempt at monopoly by Rio and BHP."

China's "antimonopoly bureau should also resist the merger according to antimonopoly law," it said.

The two Anglo-Australian miners signed a binding agreement earlier this month to combine their Western Australian iron-ore operations. They have filed submissions with the European Commission and the Australian Competition and Consumer Commission, seeking approval for the deal.

China's Ministry of Commerce said Wednesday it hadn't received an application for regulatory review from the miners.

Vale currently has a 33% share of the global iron-ore market, based on World Steel Association data. By combining operations, Rio and BHP, with 19% and 17% of the market respectively, would leapfrog to the top spot.

The CISA called the venture a "form of monopoly...a threat to fair competition principles...[which] could cause an irrational increase in iron ore prices."

Separately, a top Chinese steel executive hinted at tougher price negotiations, backtracking from earlier views that China could stomach a small price increase. "Because there's still pessimism over the financial situation for global steel firms this year, it's unlikely that iron ore prices would rise next year," Ma Guoqiang, general manager of **Baoshan Iron & Steel** Co., said in an interview carried by state media.

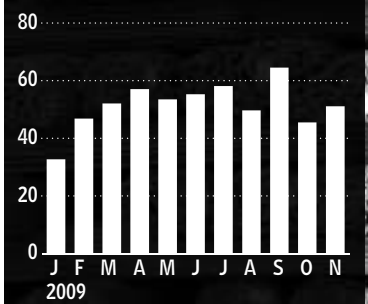
Baoshan is a significant voice not only because it is the listed unit of China's largest steelmaker, **Baosteel Group** Corp., but also because recent reports suggest it has taken the lead in 2010 iron ore price negotiations, a role it temporarily ceded to CISA. Baosteel confirmed the details of the state media reports.

Analysts have widely talked about a 10% to 30% increase in 2010 term prices, given a strengthening global economy, a stronger Australian dollar and rising steel prices.

—Yue Li in Shanghai contributed to this article.

Feeding the mills

China's iron-ore imports, volume in millions of metric tons



Sources: Thomson Reuters Datastream; Reuters (photo)

Right: A worker checks labels of steel bars at a steel market in Taiyuan, China

Rio Tinto breaks ground with Essar ore sale

By Stephen Bell

PERTH, Australia—**Rio Tinto** PLC on Thursday said it has sold iron ore to India's **Essar Steel**, the first time the company will be shipping ore to India.

"There will be a shipment arriving [in India] in December, so one is due to leave shortly," Rio Tinto Iron Ore Chief Executive Sam Walsh said.

The Anglo-Australian miner described the deal as significant, as India is traditionally an exporter even though Indian iron ore is generally considered to be of lower quality.

"This is only one shipment at this stage, but this is very significant in terms of forging a relationship with Essar and potentially opening doors," Mr. Walsh said.

Rio Tinto said it sold 160,000 metric tons of Pilbara Blend Fines to Essar, a midsize Indian steelmaker. The cargo will be shipped to the Hazira port in western India. Mr. Walsh said the cargo is priced at the international spot rate.

Essar officials called the deal a short-term arrangement to meet immediate needs for quick capacity expansion.

"In order to expeditiously ramp up [steel production] capacity, iron ore from international sources is being considered. This is in addition to iron-ore supplies under contract with domestic suppliers," said Ganesh Pai, an Essar Steel spokesman in Mumbai.

Jatinder Mehra, a director at Essar Steel, said the company wasn't talking to anybody in Australia for further iron-ore purchases.

Essar Steel is facing a shortfall because of damage to a pipeline supplying iron ore in slurry form from mines to Essar's plant, according to Rana Som, chairman of the National Minerals Development Corp., a state-owned mining company.

India is traditionally an exporter despite its iron ore generally being considered of lower quality.

The damaged pipeline currently delivers 150,000-200,000 tons a month, compared with 500,000 tons a month earlier.

In May, Maoist rebels blew up the 274-kilometer delivery pipeline from NMDC's Bailadila mines in central India to Essar Steel's pellet-making plant in the southern city of Vizag.

NMDC is India's largest iron-ore miner by volume.

India, with a growing domestic steel market, is also a major iron-ore supplier in the international spot market, mostly shipping its ore to Chinese buyers.

But some market participants expect that to change as the country's domestic steel industry rapidly expands.

"We have long believed that India is a long-term market of great potential, and this development should be seen in that context," Rio Tinto's Mr. Walsh said.

"It is also potentially significant given our iron-ore project in Orissa, which we expect will also be a source to supply the growing Indian market."

Rio has ambitions to launch iron-ore production in India's Orissa state, where it has a 51% stake in a joint venture with the state-owned Orissa Mining Corp., which holds mining leases.

Earlier this month, Rio and BHP Billiton Ltd. signed a binding agreement to combine their Western Australian iron-ore operations and said they hope to have the joint venture completed by the second half of next year.

—Rajesh Roy and Prasenjit Bhattacharya in New Delhi contributed to this article.

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

American Express.....21
American International International Group...19
AMP.....15,21,26
A123 Systems.....17
AXA.....15,26
AXA Asia Pacific Holdings.....15,21,26
Bank of America.....22
Bank of New York Mellon.....22
Baosteel Group.....16
Barclays.....17
Belle International Holdings.....21
BHP Billiton.....16
BlackRock.....22
BMW.....12
British Airways.....17
Cadbury.....18,19,26
China Citic Bank.....21
China CNR.....21
China Shipbuilding Industry.....21
China South Locomotive & Rolling Stock.....21
Citigroup.....17,21,22,26
Commonwealth Bank of Australia.....15
Daewoo Securities.....21
Deutsche Bank.....19
DYG.....12
Essar Steel.....16
Exxon Mobil.....18
FedEx.....18
Fidelity Investments.....12
Financial Times.....19
Ford Motor.....17
Geely Automobile Holdings.....17
General Motors.....17
Goldman Sachs JBWere.....20
Harrison Group.....12
Hyundai Motor.....12
Johnson Controls.....17
JPMorgan Chase.....21
KB Financial Group.....21
Kraft Foods.....18,19,26
LG.....4
Marriott Intl.....12
Medco Energi.....4
Morgan Stanley.....19
National Social Security Fund.....19
Nationall Australia Bank.....15,21,26
Nissan Motor.....17
NPD Group.....15
Rio Tinto.....16
Royal Bank of Scotland.....18,19,26
Saft Groupe.....17
SAIC Motor.....17
Samsung Electronics.....21
Samsung Securities.....21
Scripps Networks Interactive.....12
Shanghai Advanced Traction Battery Systems.....17
Ssangyong Motor.....17
Sumitomo Metal Mining.....21
Timberland Co.....12
Toyota Motor.....17
UBS.....12
United Parcel Service...18
Vale.....16
Wells Fargo.....22
XTO Energy.....18
Yulon Motor.....17

People

This index lists the names of businesspeople and government regulators who receive significant mention in Today's Journal.

Ahn, Stephen.....17
Allan, Graham.....15
Allert, Rick.....15
Bush, Nancy.....22
Chalupnik, David.....21
Clyne, Cameron.....20
Cohen, David.....6
Craig, Susanne.....22
Curl, Gregory.....22
Ewanick, Joel.....12
Fink, Laurence.....22
Graf Jr., Alan B.....18
Greenhaus, Dan.....20
Harrison, Mike.....12
Hederman, William F...18
Hester, Stephen.....19
Himelstein, Bruce.....12
Hochstein, Madelyn.....12
Hung, Conita.....21
Kelly, Robert.....22
Lansing, John.....12
Leong, Wai Ho.....6
Lewis, Kenneth D.....22
Mall, Amy.....18
Mandelson, Peter....18,19
Massey, Walter E.....22
Mayo, Mike.....22
McMahon, Jonathan.....22
McQuade, Eugene.....22
Mehra, Jatinder.....16
Moynihan, Brian.....22
Najarian, Edward.....22
Novak, David.....15
O'Donnell, Jim.....12
Padhye, Namrata.....4
Pai, Ganesh.....16
Paletta, Damian.....22
Richard, Andy.....12
Ryan, Mike.....12
Shen Yang.....21
Shimominami, Masashi.....20
Smith, Frederick W.....18
Som, Rana.....16
Stickler, Robert.....22
Taylor, Jim.....12
Vanderlugt, Johan.....20
Walsh, Sam.....16
Wellink, Nout.....22
Weston, Chris.....21
Wong, Carson.....20,21

Corrections & Amplifications

Missouri Rep. Jo Ann Emerson is a Republican. An In Depth article Thursday about U.S. lawmakers' overseas travel expenses incorrectly identified her as a Democrat.

Associated Press

British Airways cabin crew arriving at Heathrow airport last month. A court injunction barred a strike over the holiday.

Injunction bars strike at BA

Cabin-crew union had planned 12-day walkout starting Tuesday

By Kaveri Niththyananthan

LONDON—**British Airways** PLC on Thursday secured an injunction at the U.K. High Court preventing its cabin crew from striking over the busy Christmas and New Year's period.

The court's decision will be a relief to the estimated one million travelers whose plans were threatened by the planned walkout, which had been due to start Tuesday. "We are delighted for our customers that the threat of a Christmas strike has been lifted by the court," BA said.

Unite, the union representing the majority of BA's 13,500 cabin crew, said the decision marked a "disgraceful day for democracy" and added that it will hold a fresh ballot unless the dispute is resolved. But the union can't hold another vote until after Christmas, with a rescheduled strike unlikely before February.

Cabin crew on Monday voted by a 92.5% majority in favor of a strike, angered by the airline's attempt to streamline the company. After nine months of talks between the two sides, BA on Nov. 16 cut the number of cabin crew on long-haul flights from London's Heathrow airport to 14 from 15. Cabin-crew members had slated strikes for 12 days, starting Dec. 22.

"There was never any need for a strike and we hope that Unite will take this opportunity to reflect before deciding its next steps," BA said. "We believe the public would want that, too."

BA argued in court Wednesday that Unite balloted employees who are no longer employed by the airline, which would be a breach of the Trade Union Labor Relations Act and therefore rendered the ballot invalid.

Unite said that because BA didn't offer them names of employees who were departing, they were forced to ballot all members.

Strikes can pose serious issues for a company. Not only can they damage an airline's reputation but they are costly, and BA runs the risk of losing once-loyal passengers to competitors. UBS estimated a 12-day strike would have cost BA £40 million ($65.4 million) to £50 million in lost profit and between £250 million and £275 million in lost revenue.

Thursday's ruling came as BA and Unite met for a second day in an effort to break the deadlock over disputed changes to pay and working conditions.

However both parties will still meet in court Feb. 1 to decide whether changes made by BA are contractual.

—The Associated Press contributed to this article.

Turnaround plan cleared for Ssangyong Motor

By Kyong-Ae Choi

SEOUL—A Seoul court on Thursday accepted a petition to allow cash-strapped **Ssangyong Motor** Co. to push through its turnaround plan despite dissent from overseas creditors, saving the auto maker from immediate liquidation.

If the court had let Ssangyong go bankrupt, it would have left about 200,000 workers at the auto maker and its suppliers unemployed, hurting the local economy in Pyeongtaek, where its main plant is located. It would also likely have resulted in a series of bankruptcies at its subcontractors, the court said.

Under the plan, Chinese auto maker **SAIC Motor** Corp., the largest shareholder, with a 51.33% stake, will be left with one share for every five it owns now and other shareholders face a 3-to-1 write-down. After a debt-for-equity conversion, SAIC and other holders will undergo a 3-to-1 write-down. SAIC's stake in Ssangyong will fall to 11.3% when the restructuring is completed.

"We came to this decision as Ssangyong's value as a going concern exceeds that of liquidation and it is judged as being capable of carrying out the turnaround plan," a presiding judge said.

Overseas creditors, which include **Barclays** PLC and **Citigroup** Inc., were concerned that Ssangyong's recently submitted plan might not be sufficient for the company to survive.

The creditors, which account for 32% of Ssangyong's total claims, worth 1.195 trillion won ($1.03 billion), said SAIC's capital-reduction ratio in the first round should be 10-to-1 and the 3-to-1 write-down in the second round should be canceled.

Unless it executes the 3-to-1 write-down in the second round, Ssangyong will have to delist itself, the company said.

"Overseas creditors who rejected the rehabilitation plan will have to accept the court's decision as they will know they cannot overturn the court's forcible order," said Ssangyong Motor spokesman Cha Ki-woong.

Unless there is an appeal of the decision in the next two weeks, Ssangyong will proceed with the viability plan by 2019 under the court's supervision, the court said.

The company and analysts said the chance of an appeal by overseas creditors is slim.

With the court's approval, Ssangyong Motor must carry out its restructuring plans to improve its financial standing and avoid delisting before it is put up for sale next year. It also needs to raise cash to pump out new car models.

Analysts said the turnaround plan is likely to be enough for Ssangyong's immediate survival but the auto maker must revive demand. A 77-day strike by Ssangyong workers to protest layoffs between May and August hurt demand for its cars, along with what analysts called less attractive designs than its rivals.

Stephen Ahn at LIG Investment & Securities said Ssangyong must quickly come up with fuel-efficient crossover vehicles to attract customers.

Ssangyong welcomed the court's decision and said it will discuss with the court a lead manager as early as in January to proceed with the sale.

Ssangyong's court-appointed manager, Lee Yoo-il, said the company is planning to raise about 200 billion won from loans and selling assets.

Last week, Ssangyong's auto-parts suppliers filed the petition with the Seoul Central District Court for the completion of its restructuring and for the their own survival.

—Soo-Kyung Seo contributed to this article.

China, U.S. firms enter car-battery deal

By Patricia Jiayi Ho

BEIJING—Two leading Chinese car makers have enlisted U.S. automotive-battery suppliers to help in their quest to develop clean-energy vehicles as competition to bring an affordable electric car to the world's largest auto market heats up.

A123 Systems Inc., of Waterrown, Mass., on Thursday said it is setting up a joint venture with **SAIC Motor** Corp. to develop battery systems for hybrid-electric and pure-electric passenger and commercial vehicles. SAIC, China's largest auto maker by sales volume, will hold 51% of the venture, A123 said.

Shanghai Advanced Traction Battery Systems Co., as the joint venture is called, will be the preferential supplier of battery systems for hybrid-electric and electric vehicles made by SAIC, A123 said. SAIC is planning to develop a hybrid Roewe 750 sedan and a plug-in hybrid Roewe 550. It also plans to launch electric vehicles in 2012.

Also Thursday, **Zhejiang Geely Holding Group** Co. said it signed a wide-ranging global cooperation agreement with Milwaukee-based **Johnson Controls** Inc., an indication the Chinese auto maker is getting more serious about developing its own clean-energy vehicles.

The partnership will cover auto parts, including vehicle seats, and new energy, Geely said. It didn't give financial details of the deal. A person familiar with the matter said the cooperation will definitely involve batteries but details are still being discussed. JCI has a partnership with France's **Saft Groupe** SA to make lithium-ion batteries for hybrid, plug-in and electric vehicles.

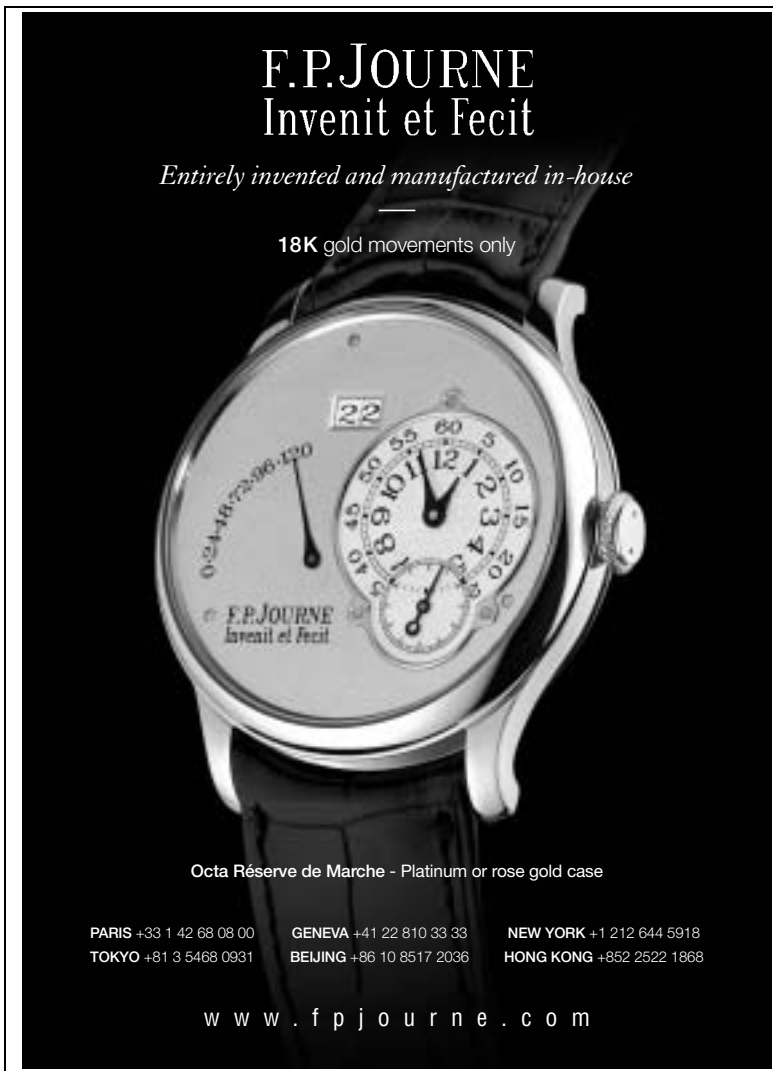
Last month, Zhejiang Geely's listed unit, Geely Automobile Holdings Ltd., signed a deal to buy electric vehicles from Taiwan's **Yulon Motor** Co. The electric cars will be based on Geely's small Panda gasoline-powered car. Yulon Motor will be responsible for research and development and converting the Panda into an electric car powered by lithium-ion batteries. The car will be sold in both Taiwan and China, with shipments to China starting in 2011.

In addition to the deal with Yulon, Zhejiang Geely will continue to develop its own electric cars, the company has said. Geely, the preferred bidder for **Ford Motor** Co.'s Volvo unit, and SAIC join global car makers in ratcheting up their electric-car efforts.

Nissan Motor Co. plans to test-market its Leaf electric vehicle in China in 2011 by making it available to government agencies and other fleet customers in the city of Wuhan. **General Motors** Co. intends to mass-market the plug-in hybrid-electric Chevrolet Volt in China starting in 2011. The Volt is powered by lithium-ion batteries and is supplemented by a gasoline engine.

Toyota Motor Corp. has also said it will likely test-market a plug-in hybrid in China.

—Norihiko Shirouzu contributed to this article.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CORPORATE NEWS

Exxon purchase hinges on 'fracking'

Company can cancel $31 billion XTO deal if Congress heavily restricts drilling technique to extract gas

By Russell Gold

Exxon Mobil Corp. can back out of its $31 billion deal to acquire natural-gas producer **XTO Energy** Inc. if Congress passes a law requiring stronger federal oversight of a controversial drilling technique.

The merger agreement contains language allowing Exxon to terminate the deal if lawmakers make hydraulic fracturing, known as fracking, illegal or "commercially impracticable."

Fracking is a now-common method that XTO and other natural-gas companies use to produce gas from hard shale-rock formations, which have recently become a major source of natural gas.

Water, sand and drilling fluids are pumped into the shale under enormous pressure, creating fractures in the rocks that allow the gas molecules to escape.

Critics contend the practice can cause pollution, especially to drinking water, a charge the industry rejects.

A bill in the House and Senate would require the Environmental Protection Agency to regulate fracking under the Safe Water Drinking Act of 1974. It would also require disclosure to the public of the chemicals used in fracking fluid.

Rep. Ed Markey (D., Mass), chairman of the House Energy and Environment Subcommittee of the Energy and Commerce Committee, said Tuesday he would hold a hearing early next year into Exxon's acquisition of XTO. Mr. Markey said he plans to look at environmental concerns related to air pollution and water contamination from hydraulic fracturing.

Bloomberg News(2)

Exxon's deal rests on the viability of hydraulic fracturing, in which sand and fluids are pumped into rock under pressure, creating cracks that allow gas to escape.

Exxon, based in Irving, Texas, said it is confident that the XTO acquisition will close in the second quarter. It declined to comment on the deal's fracking-law language except to say that the merger agreement "contains a number of customary provisions for transactions of this nature."

But William F. Hederman, senior vice president of energy policy for Concept Capital, a Washington research group that advises institutional investors, said until the Exxon-XTO merger agreement, he had never seen provisions in a deal about the political risks involving fracking.

Even so, he said, bad publicity is probably more of a potential problem in the near term than congressional legislation.

"We don't see any serious risk of legislation that would trigger the clause," he said.

Industry executives say the language is a sign that the sector is growing increasingly worried about the political backlash against fracking. If companies can't use the technique to extract gas from shale, the value of XTO and similar companies would plunge and the amount of recoverable gas would drop, they said.

The push for federal oversight is coming mainly from local communities above the Marcellus Shale, which extends from West Virginia across Pennsylvania and into southern New York.

"People who live in these communities are concerned and they don't feel like companies or state regulators are protecting their water," said Amy Mall, a senior policy analyst with the Natural Resources Defense Council, an environmental-advocacy group.

The Exxon-XTO merger agreement was filed soon after the deal was announced on Monday, but the fracking provision was buried in the 76-page document and word of it didn't start to circulate until Wednesday.

Exxon agreed to acquire XTO, of Fort Worth, Texas, in an all-stock deal. It will also assume $10 billion in debt.

The acquisition marks a significant turn for Exxon, which had spent the last decade mostly focused on finding and developing overseas projects, especially for oil.

But in the past few years, many smaller domestic gas companies have perfected the use of fracking to get at gas deposits in Texas, Louisiana, Arkansas, Pennsylvania and elsewhere.

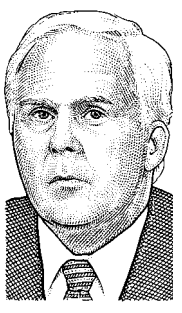
FedEx reports global economy is gaining strength

By Bob Sechler

FedEx Corp. heralded growing momentum in the global economy and said the U.S. has "turned a corner," even as the package-delivery giant posted a 30% decline in quarterly profit and issued a lukewarm earnings forecast.

Chief Executive Frederick Smith said volume trends are on the upswing, buoyed by modest economic improvement and an end to efforts by customers to reduce inventories. "We expect stronger demand for our services" in the second half of the fiscal year, he said.

He said the Memphis, Tenn., company is having a particularly strong December, a trend that bodes well for the holiday shopping season. FedEx and rival **United Parcel Service** Inc. are viewed as bellwethers for the broad economy because of the volume and breadth of goods they ship.



Frederick Smith

FedEx said Thursday that it shipped 14.1 million packages on Monday, its busiest day of the year. The figure was well above its forecast of about 13 million and up more than 17% from its busiest day last year.

Still, FedEx issued a tepid earnings forecast for its current quarter, its fiscal third, saying it expects a profit of 50 cents to 70 cents a share. Analysts had projected earnings of 84 cents a share, according to Thomson Reuters. The forecast disappointed investors and helped send the shares lower.

But FedEx pegged its full-year forecast at $3.45 to $3.75 a share, compared with Wall Street's outlook of $3.46 a share. FedEx executives said its third quarter is typically the slowest seasonally. They also said the company may face higher costs as it aims to keep service levels strong amid the improving volume.

"We should have a lot of momentum" going into the fiscal fourth quarter, Chief Financial Officer Alan B. Graf Jr. said.

The optimism was among the reasons FedEx announced that is joining a growing roster of companies restoring portions of benefit and pension cuts enacted during the downturn.

Citing its "outlook for modestly improving economic conditions and business performance," FedEx said it will resume salary increases next year and resume 50% of its 401(k) match for most U.S. employees. Both programs were suspended a year ago.

FedEx posted profit of $345 million, or $1.10 a share, for the fiscal second quarter, which ended Nov. 30. That was down from $493 million, or $1.58 a share, a year earlier.

Results fell by comparison with a year-earlier period in which the company reaped fuel surcharges from customers just as fuel costs were declining.

Revenue fell 9.9% to $8.6 billion.

Results weakened in the company's express-shipping business, but its ground segment posted higher revenue and profit.

Total average daily package volume increased 4%.

—Nathan Becker contributed to this article.

U.K. won't intervene in Kraft's hostile pursuit of Cadbury

By Laurence Norman And Michael Carolan

LONDON—U.K. Business Secretary Peter Mandelson ruled out intervening in the takeover battle for confectionary group **Cadbury** PLC after holding talks with lawmakers and trade union leaders.

Mr. Mandelson said Wednesday that any bid for Cadbury—which is fighting **Kraft Foods** Inc.'s hostile takeover approach—must "respect the company's heritage and work force." But he stressed that he has "no statutory power to intervene in this case."

Mr. Mandelson met earlier with lawmakers from the Birmingham region, the birthplace of the company, and from trade unions to discuss Kraft's offer for Cadbury.

In a statement after the meeting, Mr. Mandelson said he would continue to take "a very close interest in whether shareholders played a full part in corporate governance and whether they took a long term view of their responsibilities as shareholders."

He has already warned any suitors of Cadbury against attempting to make "a fast buck" from a possible acquisition.

U.K. trade union Unite is opposed to the takeover of Cadbury by Kraft or any other company, citing the dangers to jobs and to local communities of cross-border leveraged buyouts.

Unite also has "serious concerns" over the involvement of **Royal Bank of Scotland Group** PLC, the U.K.-based bank that is 84% state-owned and which is helping Kraft to finance the deal.

Mr. Mandelson said that any bid for Cadbury must 'respect the company's heritage and work force.'

"There is no justification for any U.K. bank explicitly or implicitly guaranteed by the taxpayer being allowed to support bids of this nature," Unite said in a briefing note to lawmakers.

Unite said Kraft's takeover plans could only have negative consequences for Cadbury, contrasting the U.K. company's strong annual growth rates, with Kraft's "massive accumulated debts" and "undigested acquisitions."

Kraft on Tuesday questioned Cadbury's defense against its hostile takeover attempt, telling Cadbury's shareholders to ask how the company will achieve its growth targets without the scale and investment that Kraft can offer. However, Kraft again suggested it wouldn't raise its offer.

Kraft's cash-and-shares offer is currently valued at around £9.9 billion ($14.4 billion). The offer originally valued each Cadbury share at 745 pence, though a fall in Kraft's shares means it is now valued at nearer to 720 pence. So far, the market has agreed that Kraft's chances of success are slim unless it raises its bid to at least 800 pence a share.

Cadbury, which is famous for its Dairy Milk and Creme Egg brands, on Monday raised its sales and margin targets for the next four years as it issued a robust defense of its business and once again rejected Kraft's "derisory" offer.

Cadbury shares closed at 788 pence Wednesday.

—Lilly Vitorovich in London contributed to this article.

China pension fund eager to grow overseas

Plans are set to triple foreign investments

By Joy C. Shaw

SHANGHAI—China's national pension fund plans to nearly triple its overseas investments, as the fund seeks to diversify assets and boost returns following its first losses in the stock market last year.

The **National Social Security Fund**, already one of the world's largest pension funds by assets, plans to maintain the proportion of its equity investments and reduce its holdings in fixed-income products, and invest in unlisted companies and private equity overseas, said fund Chairman Dai Xianglong

The fund aims to increase the proportion of overseas investments in its total assets to 20%, the maximum allowed by the government, from 7% currently, he said.

Mr. Dai didn't give a time frame, but he said in February the fund would adjust its investment strategy this year to cope with the global financial crisis and the domestic economic downturn.

The fund posted a 2008 net loss of 39.37 billion yuan ($5.77 billion) due to the local stock market's sharp slump.

"The national pension fund will grow beyond one trillion yuan in assets in the next two years," he said. "Hence, the National Social Security Fund will strive to improve management and increase value preservation and enhancement."

Mr. Dai made the comments in a speech at a pension-fund forum in Bangkok in November, a transcript of which was posted on the fund's Web site Dec. 10.

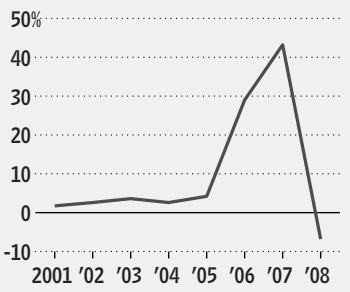
As of the end of September, the fund had 678 billion yuan of assets under management, of which fixed-income investments accounted for 45%; domestic and foreign stocks, 30%; private-equity investments, 20%; and cash, 5%, Mr. Dai said.

The fund's investment income totaled 55.6 billion yuan in the January-September period, a return of 9.84%, he said. Its investment-return ratio swung to a decline of 6.79% in 2008 from a rise of 38.93% in 2007.

Mr. Dai said the pension fund's minimum investment goal by 2012 is to beat inflation, with an average annualized return of no less than 3.5% between 2008 and 2012.

Security setback

China's National Social Security Fund return ratio*



* China adopted accounting rule changes in 2008 in valuating unrealized gains. Prior to 2008, the return ratio refers to "operational return."
Source: National Council for Social Security Fund

In Britain, RBS goes under fire

By Dana Cimilluca And Sara Schaefer Muñoz

LONDON—**Royal Bank of Scotland Group** PLC's role as a ward of the British state cast the bank into another uncomfortable situation, with some lawmakers protesting its backing of **Kraft Foods** Inc.'s hostile bid for British candy icon **Cadbury** PLC.

On Wednesday, members of Parliament and trade union leaders met with Britain's business secretary and sought to block RBS's plan to make a loan to Kraft as part of its proposed bid. They claim the deal is contrary to Britain's national interest. Meanwhile, RBS also is seeking credit for advising Kraft, which would deepen its involvement in the deal.

Business Secretary Peter Mandelson said in a statement after the meeting that he was aware of the "strength of feelings generated by the takeover bid." Echoing earlier warnings, he said it is important that any acquirer of Cadbury's respect the company's heritage and work force, according to a spokesman. But he also said he has no statutory power to intervene.

Lord Mandelson's comments, as well as similar ones recently from Prime Minister Gordon Brown, come as many in Britain bemoan lax takeover rules in the country, which are among the most lenient in the world when it comes to foreign suitors for its companies. These people are concerned that a takeover by Kraft will jeopardize jobs at Cadbury and its tradition as an upstanding U.K. corporate citizen.

But even as politicians give voice to such concerns, RBS, soon to be 84%-owned by the U.K. government, has thrown its support behind Kraft. The government's stake in the bank stems from rescue efforts that began one year ago. RBS is one of nine banks pledging £5.5 billion ($8.95 billion) to fund Kraft's cash-and-stock bid.

Last month, RBS appealed to Thomson Reuters, the keeper of league tables tallying banks' involvement in advising on merger deals, asking to be added to a list of four other advisers to Kraft. Its status is in limbo after an unknown rival challenged the legitimacy of that role Monday, according to a Thomson spokeswoman.

Credit Suisse also claimed credit and was similarly challenged; Thomson is reviewing both cases. An RBS spokesman declined to comment, and a Credit Suisse spokeswoman declined to comment.

A person close to RBS said the firm considered the possible political ramifications of advising Kraft, but decided it made business sense to move ahead. Others close to the bank said the government hasn't meddled in its decision to cast its lot with Kraft.

Political criticism of the move is the latest example of the bank being used as a pawn by policy makers, the person said, increasing concerns that such attention could drive off future clients.

A spokesman for the U.K. Treasury said only "it is important that RBS operate commercially so they can generate a good return for the taxpayer."

AIA applies for a listing in Hong Kong

By Amy Or

HONG KONG—**AIA Group** Ltd., the Asian life-insurance unit of **American International Group** Inc., has submitted a listing application to the Hong Kong Stock Exchange for an initial public offering that could raise as much as US$20 billion, a person familiar with the situation said Thursday.

Proceeds from selling the stake in AIA, which is widely regarded as one of AIG's crown-jewel assets, will be used to repay the Federal Reserve Bank of New York. Earlier this month, the New York Fed exchanged $25 billion of its AIG debt for preferred shares in entities that own AIA and another overseas life insurer. AIG separately owes U.S. taxpayers roughly $65 billion.

The fund-raising size is based on a float of about 45% of AIA, whose operations span 15 markets in the Asian-Pacific region. The potential $20 billion IPO was earlier reported by the Financial Times.

If the exchange approves the application, the IPO will take place sometime in the second quarter.

Morgan Stanley and **Deutsche Bank** AG are joint global coordinators of the deal.

—Serena Ng contributed to this article.

Rusal clears obstacle on road to Hong Kong

By Alexander Kolyandr And Gregory White,

MOSCOW—UC **Rusal** got another boost from the Kremlin on Thursday as a major state bank agreed to refinance a $4.5 billion loan, helping to remove one of the last obstacles to Russian aluminum giant's planned initial public offering.

People close to the company said OAO **Sberbank**, the state-controlled savings bank, agreed to extend a multiyear loan to Rusal to allow it to repay a $4.5 billion bailout loan from another Russian state bank, **Vneshekonombank**, or VEB, that comes due next year. The listing committee of the Hong Kong Stock Exchange had held up approval of the IPO because of concerns about Rusal's ability to repay the VEB loan, according to people familiar with the situation.

Oleg Deripaska

Meanwhile, Hong Kong's Securities and Futures Commission is raising another issue about the IPO, warning that the risks involved are potentially too complex to make it suitable for retail investors.

Sberbank's commitment is the latest sign of official Russian support for Rusal, which is controlled by tycoon Oleg Deripaska. VEB and Sberbank have already said they are likely to buy shares in the IPO, which will raise cash for Rusal to help pay off its $14.9 billion in debt.

The Hong Kong listing committee met Thursday to consider Rusal's application but made no final decision, according to people close to the situation. Another meeting could be held next week. If Rusal wins exchange approval in the next few weeks, it could conduct the IPO in January, according to people close to the company. Further delays would likely push the offering into the spring.

One person close to the situation said the SFC "doesn't want retail participation in the Rusal IPO as it is too complicated for retail investors." The person added that the SFC's view wasn't shared by the Hong Kong stock exchange. Both the exchange and the SFC have to approve the deal for it to go ahead.

Another person said Rusal is "committed to having a retail tranche when possible," but admitted not having retail investors involved in the sale is an option.

—Amy Or and Nisha Gopalan contributed to this article.

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THE WALL STREET JOURNAL. ASIA

Japanese yields ease, despite weak auction

By Tomoyuki Tachikawa

TOKYO—Japanese government-bond yields generally edged lower Thursday, despite weak demand at an auction of two-year debt.

BOND MARKETS

The benchmark 10-year yield briefly touched a one-week low before ending down 0.005 percentage point to 1.25%. It fell as low as 1.24%.

The government sold 2.456 trillion yen ($27.35 billion) of the 0.2% bonds at a lowest price of 100.02, missing traders' expectations of 100.04.

After the government Tuesday set the limit for new bond sales at "around" 44 trillion yen in the fiscal year starting April, market participants have continued buying back longer-term bonds, said Mizuho Securities market analyst Masashi Shimominami.

Still, "some investors refrained from aggressively buying two-year JGBs at the auction as it's still uncertain whether the BOJ will really do more [to help the economy] when financial market conditions gradually improve," he said.

Although interest rates are expected to remain unchanged, speculation lingers that the Bank of Japan may decide on other measures in the near term, such as more outright purchases of bonds, which could help push bond prices higher, and yields lower.

Treasurys focus overseas

By Emily Barratt

NEW YORK—Treasurys prices rose as the market's focus intensified on credit problems in Europe and the Middle East.

U.S. BOND MARKET

The news closer to home is less compelling for the time being: The Federal Reserve's last policy statement for the year Wednesday gave financial markets no great cause for dismay or disgruntlement.

Late morning Thrusday, the two-year note was up 4/32 in price, yielding 0.77%, and the 10-year was 19/32 higher for a yield of 3.53%.

The Fed's unremarkable announcements leaves the holiday-thinned markets looking overseas for trading stimuli, and that is only helping the appeal of U.S. assets.

Greece's sovereign ratings downgrade to triple-B-plus from single-A-minus by Standard & Poor's, though no great surprise given the country's longstanding debt concerns, has reignited suspicions that agencies have the knives out for other euro-zone members. Spain lost its S&P triple-A rating earlier this year.

NAB's AXA bid squeezes AMP

Continued from page 15

"best and final."

NAB Chief Executive Cameron Clyne said an acquisition of AXA Asia Pacific is in line with the banking group's strategy of boosting its exposure to the wealth-management industries in Australia and New Zealand.

In September, NAB completed its purchase of Aviva PLC's Australian wealth-management operations, and the bank recently acquired **Goldman Sachs JBWere**'s private-wealth operations.

AXA SA has agreed to work exclusively with AMP on the AXA Asia Pacific deal until Feb. 6. Only if AMP walks away from the deal would AXA be able to start working with NAB on a separate proposal before then. NAB has yet to hold talks with AXA SA, Mr. Clyne said. NAB says its offer stands until Feb. 16 or six weeks after any decision by AMP to end the exclusivity period.

NAB said it would raise around A$1.5 billion through a rights issue to help fund the deal. Daiwa Securities analyst Johan Vanderlugt said the deal makes long-term strategic sense for NAB but falls short in terms of synergy benefits and creating value for shareholders.

"The deal would only be earnings per share accretive in year three and bring in full synergies of A$260 million by year five," he said. "Moreover, we see substantial integration risks and revenue attrition."

NAB said it doesn't expect the AXA Asia Pacific deal would worry competition regulators, but said the bank would discuss the proposal with the Australian Competition and Consumer Commission and with the government.

Separately, NAB said Thursday it may participate in the consolidation of the U.K. banking sector, where it owns the Clydesdale and Yorkshire banks, following several informal approaches.

"We have been approached by a number of players in the U.K. market to see how we could work with them to participate in that consolidation," Mr. Clyne told shareholders at the group's annual general meeting in Brisbane.

He declined to offer details on the nature of the approaches the bank has received.

—Cynthia Koons contributed to this article

FUND SCORECARD

Emerging Asia Single Country Equity

Funds that invest at least 75% of equity assets in a single emerging Asian country. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 17, 2009

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
NS	**Dresdner RCM New Tiger-Thailand**	Allianz RCM Global Investment Asia	USD	Hong Kong	**85.28**	91.30	-5.87	5.62
NS	**JF Thailand**	JF Asset Management Limited (HK)	USD	Hong Kong	**82.36**	84.01	-4.40	11.88
5	**Pru IOF Dragon Peacock**	Prudential Asset Mgmnt (Singapore) Ltd	USD	Luxembrg	**86.55**	80.94	-8.28	NS
NS	**HSBC GIF Thai Equity A Acc**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**75.71**	78.75	-9.10	NS
NS	**Pru IOF Philippines Equity A**	Prudential Asset Mgmnt (Singapore) Ltd	USD	Luxembrg	**82.12**	78.63	-11.26	NS
NS	**PRU Dragon Peacock**	Prudential Asset Mgmnt (Singapore) Ltd	SGD	Singapore	**83.11**	77.48	-10.51	19.77
NS	**CAAM Funds Thailand C**	Crédit Agricole-LCL	USD	Luxembrg	**71.04**	75.55	-8.86	4.61
NS	**LionGlobal Singapore/Malaysia SGD**	Lion Global Investors Ltd	SGD	Singapore	**71.50**	74.77	-12.05	12.87
NS	**LionGlobal Thailand SGD**	Lion Global Investors Ltd	SGD	Singapore	**75.62**	72.23	-5.48	9.27
NS	**Aberdeen New Thai**	Aberdeen Asset Management Funds Ltd (UK)	GBP	United Kingdom	**59.15**	72.18	-3.51	10.87

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	12/17	EUR	53.95	19.7	17.9	-29.0
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	12/16	USD	10.28	25.2	24.2	-15.6
Am Eq Blend B	US	EQ	LUX	12/16	USD	9.66	24.0	22.9	-16.5
Am Growth A	US	EQ	LUX	12/16	USD	30.30	32.3	43.0	-7.8
Am Growth AX	US	EQ	LUX	12/16	USD	32.69	33.0	43.8	-7.3
Am Growth B	US	EQ	LUX	12/16	USD	25.48	31.0	41.6	-8.8
Am Growth C	US	EQ	LUX	12/16	USD	27.42	31.8	42.4	-8.2
Am Growth I	US	EQ	LUX	12/16	USD	33.56	33.3	44.2	-7.1
Am Income A	US	BD	LUX	12/16	USD	8.44	24.6	29.6	5.6
Am Income A2	US	BD	LUX	12/16	USD	19.02	25.0	29.7	5.6
Am Income A2	OT	OT	NA	12/16	HKD	147.47	NS	NS	NS
Am Income AT	OT	OT	NA	12/16	HKD	65.44	NS	NS	NS
Am Income AT	US	BD	LUX	12/16	USD	8.44	24.9	29.6	5.6
Am Income B	US	BD	LUX	12/16	USD	8.44	23.7	28.6	4.7
Am Income B2	US	BD	LUX	12/16	USD	16.40	24.1	28.8	4.8
Am Income B2	OT	OT	NA	12/16	HKD	127.16	NS	NS	NS
Am Income BT	OT	OT	NA	12/16	HKD	65.83	NS	NS	NS
Am Income BT	US	BD	LUX	12/16	USD	8.49	24.2	28.8	4.9
Am Income C	US	BD	LUX	12/16	USD	8.44	24.0	28.9	5.0
Am Income C2	US	BD	LUX	12/16	USD	24.39	24.5	29.2	5.1
Am Income I	US	BD	LUX	12/16	USD	8.44	25.3	30.4	6.2
Am Value A	US	EQ	LUX	12/16	USD	8.53	18.3	20.0	-14.5
Am Value B	US	EQ	LUX	12/16	USD	7.86	17.1	18.7	-15.3
Am Value C	US	EQ	LUX	12/16	USD	8.53	17.7	19.3	-14.9
Am Value I	US	EQ	LUX	12/16	USD	9.18	19.2	20.9	-13.7
Emg Mkts Debt A	GL	BD	LUX	12/16	USD	15.62	44.0	50.6	7.9
Emg Mkts Debt A2	GL	BD	LUX	12/16	USD	20.13	44.6	50.7	8.0
Emg Mkts Debt AT	GL	BD	LUX	12/16	USD	15.70	44.6	50.7	8.0
Emg Mkts Debt B	GL	BD	LUX	12/16	USD	15.62	42.8	49.2	6.9
Emg Mkts Debt B2	GL	BD	LUX	12/16	USD	19.39	43.2	49.2	6.9
Emg Mkts Debt BT	GL	BD	LUX	12/16	USD	15.68	43.2	49.1	6.9
Emg Mkts Debt C	GL	BD	LUX	12/16	USD	15.62	43.5	50.0	7.5
Emg Mkts Debt C2	GL	BD	LUX	12/16	USD	19.79	44.0	50.0	7.5
Emg Mkts Debt I	GL	BD	LUX	12/16	USD	15.62	44.7	51.4	8.5
Emg Mkts Growth A	GL	EQ	LUX	12/16	USD	34.10	70.2	63.9	-13.6
Emg Mkts Growth B	GL	EQ	LUX	12/16	USD	28.92	68.6	62.3	-14.4
Emg Mkts Growth C	GL	EQ	LUX	12/16	USD	29.57	69.5	63.2	-13.9
Emg Mkts Growth I	GL	EQ	LUX	12/16	USD	37.79	71.5	65.2	-12.9
Eur Growth A	OT	OT	LUX	12/16	USD	10.04	24.1	24.3	-18.4
Eur Growth A	OT	OT	LUX	12/16	EUR	6.91	24.1	24.3	-18.4
Eur Growth B	OT	OT	LUX	12/16	EUR	6.21	22.7	23.0	-19.2
Eur Growth B	OT	OT	LUX	12/16	USD	9.02	22.7	23.0	-19.2
Eur Growth C	EU	EQ	LUX	12/16	EUR	5.23	23.3	23.6	-18.8
Eur Growth I	OT	OT	LUX	12/16	USD	10.94	24.9	25.3	-17.7
Eur Growth I	OT	OT	LUX	12/16	EUR	7.53	24.9	25.3	-17.7
Eur Income A	OT	OT	LUX	12/16	EUR	6.63	39.5	39.8	4.1
Eur Income A	OT	OT	LUX	12/16	USD	9.63	39.5	39.8	4.1
Eur Income A2	OT	OT	LUX	12/16	EUR	12.89	40.0	39.8	4.0
Eur Income A2	OT	OT	LUX	12/16	USD	18.72	40.0	39.8	4.0
Eur Income AT	EU	BD	LUX	12/16	EUR	6.63	39.8	39.9	4.0
Eur Income B	OT	OT	LUX	12/16	EUR	6.63	38.7	38.9	3.3
Eur Income B	OT	OT	LUX	12/16	USD	9.63	38.7	38.9	3.3
Eur Income B2	OT	OT	LUX	12/16	EUR	11.99	38.9	38.8	3.3
Eur Income B2	OT	OT	LUX	12/16	USD	17.42	38.9	38.8	3.3
Eur Income BT	EU	BD	LUX	12/16	EUR	6.63	39.0	38.7	3.3
Eur Income C	OT	OT	LUX	12/16	EUR	6.63	39.0	39.3	3.6
Eur Income C	OT	OT	LUX	12/16	USD	9.63	39.0	39.3	3.6
Eur Income C2	OT	OT	LUX	12/16	EUR	12.85	39.4	39.2	3.6
Eur Income C2	OT	OT	LUX	12/16	USD	18.67	39.4	39.2	3.6
Eur Income I	OT	OT	LUX	12/16	EUR	6.63	40.1	40.5	4.6
Eur Income I	OT	OT	LUX	12/16	USD	9.63	40.1	40.5	4.6
Eur Strat Value A	OT	OT	LUX	12/16	EUR	8.45	21.4	19.7	-22.2
Eur Strat Value A	OT	OT	LUX	12/16	USD	12.27	21.4	19.7	-22.2
Eur Strat Value I	OT	OT	LUX	12/16	EUR	8.65	22.3	20.6	-21.5
Eur Strat Value I	OT	OT	LUX	12/16	USD	12.56	22.3	20.6	-21.5
Eur Value A	OT	OT	LUX	12/16	EUR	9.11	25.1	23.9	-19.2
Eur Value A	OT	OT	LUX	12/16	USD	13.23	25.1	23.9	-19.2
Eur Value B	OT	OT	LUX	12/16	USD	12.17	23.8	22.7	-20.0
Eur Value B	OT	OT	LUX	12/16	EUR	8.38	23.8	22.7	-20.0
Eur Value C	OT	OT	LUX	12/16	USD	12.78	24.3	23.2	-19.6
Eur Value C	OT	OT	LUX	12/16	EUR	8.80	24.3	23.2	-19.6
Eur Value I	OT	OT	LUX	12/16	USD	15.27	25.9	24.8	-18.5
Eur Value I	OT	OT	LUX	12/16	EUR	10.51	25.9	24.8	-18.5
Gl Balanced (Euro) A	OT	OT	LUX	12/16	USD	16.57	20.4	21.0	-11.5
Gl Balanced (Euro) B	OT	OT	LUX	12/16	USD	16.15	19.2	19.8	-12.4
Gl Balanced (Euro) C	OT	OT	LUX	12/16	USD	16.46	20.1	20.8	-11.7
Gl Balanced (Euro) I	OT	OT	LUX	12/16	USD	16.88	NS	NS	NS
Gl Balanced A	US	BA	LUX	12/16	USD	16.50	24.2	23.7	-10.5
Gl Balanced B	US	BA	LUX	12/16	USD	15.69	23.0	22.5	-11.4
Gl Balanced C	OT	OT	LUX	12/16	USD	16.26	23.8	23.4	-10.7
Gl Balanced C	OT	OT	LUX	12/16	EUR	11.19	23.8	23.4	-10.7
Gl Balanced I	US	BA	LUX	12/16	USD	17.11	25.0	24.6	-9.8
Gl Bond A	US	BD	LUX	12/16	USD	9.31	13.1	15.3	5.1
Gl Bond A2	US	BD	LUX	12/16	USD	16.11	13.4	15.3	5.1
Gl Bond A2	OT	OT	NA	12/16	HKD	124.91	13.4	15.3	5.1
Gl Bond AT	OT	OT	LUX	12/16	HKD	72.19	13.4	15.3	5.1
Gl Bond AT	US	BD	LUX	12/16	USD	9.31	13.4	15.3	5.1
Gl Bond B	US	BD	LUX	12/16	USD	9.31	12.1	14.2	4.0
Gl Bond B2	US	BD	LUX	12/16	USD	14.11	12.3	14.2	4.0
Gl Bond B2	OT	OT	NA	12/16	HKD	109.40	12.3	14.2	4.0
Gl Bond BT	OT	OT	LUX	12/16	HKD	72.50	12.3	14.3	4.1
Gl Bond BT	US	BD	LUX	12/16	USD	9.35	12.3	14.3	4.1
Gl Bond C	US	BD	LUX	12/16	USD	9.31	12.6	14.8	4.6
Gl Bond C2	US	BD	LUX	12/16	USD	13.98	12.8	14.8	4.6
Gl Bond I	US	BD	LUX	12/16	USD	9.31	13.7	15.9	5.7
Gl Conservative A	US	BA	LUX	12/16	USD	14.90	15.6	16.2	-4.1
Gl Conservative A2	US	BA	LUX	12/16	USD	16.96	16.3	16.8	-3.8
Gl Conservative B	US	BA	LUX	12/16	USD	14.90	14.9	15.3	-4.9
Gl Conservative B2	US	BA	LUX	12/16	USD	16.12	15.2	15.6	-4.8
Gl Conservative C	US	BA	LUX	12/16	USD	14.89	15.3	15.7	-4.5
Gl Conservative C2	US	BA	LUX	12/16	USD	16.60	15.9	16.4	-4.2
Gl Conservative I	US	BA	LUX	12/16	USD	14.96	16.4	16.9	-3.4
Gl Eq Blend A	GL	EQ	LUX	12/16	USD	11.64	30.2	28.1	-21.1
Gl Eq Blend B	GL	EQ	LUX	12/16	USD	10.93	29.0	26.8	-21.9
Gl Eq Blend C	GL	EQ	LUX	12/16	USD	11.43	29.6	27.4	-21.5
Gl Eq Blend I	GL	EQ	LUX	12/16	USD	12.27	31.2	29.2	-20.5
Gl Growth A	GL	EQ	LUX	12/16	USD	41.55	28.8	27.2	-22.3
Gl Growth B	GL	EQ	LUX	12/16	USD	34.70	27.6	25.9	-23.1
Gl Growth C	GL	EQ	LUX	12/16	USD	39.88	28.3	26.6	-22.7
Gl Growth I	GL	EQ	LUX	12/16	USD	46.12	29.8	28.2	-21.7
Gl High Yield A	US	BD	LUX	12/16	USD	4.30	58.4	66.1	3.8
Gl High Yield A2	US	BD	LUX	12/16	USD	9.17	59.2	66.1	3.8
Gl High Yield A2	OT	OT	NA	12/16	HKD	71.10	59.2	66.1	3.8
Gl High Yield AT	OT	OT	NA	12/16	HKD	33.11	59.4	66.1	3.8
Gl High Yield AT	US	BD	LUX	12/16	USD	4.27	59.4	66.1	3.8
Gl High Yield B	US	BD	LUX	12/16	USD	4.30	56.5	64.0	2.5
Gl High Yield B2	US	BD	LUX	12/16	USD	14.75	57.8	64.6	2.8
Gl High Yield B2	OT	OT	NA	12/16	HKD	114.37	57.8	64.6	2.8
Gl High Yield BT	OT	OT	NA	12/16	HKD	33.65	57.4	64.3	2.8
Gl High Yield BT	US	BD	LUX	12/16	USD	4.34	57.4	64.3	2.8
Gl High Yield C	US	BD	LUX	12/16	USD	4.30	57.6	65.2	3.2
Gl High Yield C2	US	BD	LUX	12/16	USD	13.59	58.6	65.3	3.3
Gl High Yield I	US	BD	LUX	12/16	USD	4.30	59.5	67.3	4.5
Gl Thematic Res. A	OT	OT	LUX	12/16	USD	14.63	67.2	63.8	-3.7
Gl Thematic Res. B	OT	OT	LUX	12/16	USD	12.81	65.7	62.2	-4.7
Gl Thematic Res. I	OT	OT	LUX	12/16	USD	16.31	68.5	65.1	-3.0
Gl Value A	GL	EQ	LUX	12/16	USD	11.18	31.7	29.1	-19.9
Gl Value B	GL	EQ	LUX	12/16	USD	10.28	30.5	27.9	-20.7
Gl Value C	GL	EQ	LUX	12/16	USD	10.87	31.1	28.5	-20.3
Gl Value I	GL	EQ	LUX	12/16	USD	11.89	32.7	30.1	-19.3
Greater China A	AS	EQ	LUX	12/16	USD	39.34	53.4	47.7	-16.5
Greater China B	AS	EQ	LUX	12/16	USD	34.83	51.9	46.2	-17.4
Greater China C	AS	EQ	LUX	12/16	USD	38.85	52.7	47.0	-16.9
India Growth A	OT	OT	LUX	12/16	USD	123.32	NS	NS	NS
India Growth AX	OT	OT	LUX	12/16	USD	107.79	86.6	87.1	-11.4
India Growth B	OT	OT	LUX	12/16	USD	129.25	NS	NS	NS
India Growth BX	OT	OT	LUX	12/16	USD	92.17	84.8	85.2	-12.2
India Growth I	EA	EQ	LUX	12/16	USD	111.67	87.3	87.9	-11.1
Int'l Health Care A	OT	EQ	LUX	12/16	USD	135.77	15.6	19.2	-9.4
Int'l Health Care B	OT	EQ	LUX	12/16	USD	114.57	14.5	18.0	-10.3
Int'l Health Care C	OT	EQ	LUX	12/16	USD	130.15	15.1	18.6	-9.8
Int'l Health Care I	OT	EQ	LUX	12/16	USD	148.29	16.5	20.1	-8.7
Int'l Technology A	OT	EQ	LUX	12/16	USD	107.04	46.3	43.1	-12.8
Int'l Technology B	OT	EQ	LUX	12/16	USD	92.79	44.9	41.7	-13.7
Int'l Technology C	OT	EQ	LUX	12/16	USD	103.46	45.7	42.4	-13.2
Int'l Technology I	OT	EQ	LUX	12/16	USD	119.98	47.4	44.2	-12.1
Japan Eq Blend A	JP	EQ	LUX	12/16	JPY	5957.00	11.0	14.4	-23.6
Japan Eq Blend B	JP	EQ	LUX	12/16	JPY	5750.00	9.9	13.2	-24.4
Japan Eq Blend C	JP	EQ	LUX	12/16	JPY	5863.00	10.5	13.9	-24.0
Japan Growth A	JP	EQ	LUX	12/16	JPY	5821.00	4.6	8.5	-24.1
Japan Growth B	JP	EQ	LUX	12/16	JPY	5619.00	3.7	7.4	-24.9
Japan Growth C	JP	EQ	LUX	12/16	JPY	5729.00	4.2	8.0	-24.4
Japan Strat Value A	JP	EQ	LUX	12/16	JPY	6043.00	17.2	20.1	-23.6
Japan Strat Value B	JP	EQ	LUX	12/16	JPY	5839.00	16.1	18.8	-24.3
Japan Strat Value C	JP	EQ	LUX	12/16	JPY	5944.00	16.7	19.5	-23.9
Real Estate Sec. A	OT	EQ	LUX	12/16	USD	14.18	32.9	34.2	-15.6
Real Estate Sec. B	OT	EQ	LUX	12/16	USD	12.96	31.6	32.7	-16.4
Real Estate Sec. I	OT	EQ	LUX	12/16	USD	15.23	33.8	35.1	-14.9
Short Mat Dollar A	US	BD	LUX	12/16	USD	7.23	10.8	12.2	-6.1
Short Mat Dollar A2	US	BD	LUX	12/16	USD	9.73	11.1	12.2	-6.1
Short Mat Dollar AT	US	BD	LUX	12/16	USD	7.23	11.1	12.2	-6.0
Short Mat Dollar B	US	BD	LUX	12/16	USD	7.23	10.3	11.7	-6.5
Short Mat Dollar B2	US	BD	LUX	12/16	USD	9.68	10.5	11.6	-6.5
Short Mat Dollar BT	OT	OT	LUX	12/16	USD	7.24	9.8	11.0	-6.8
Short Mat Dollar C	US	BD	LUX	12/16	USD	7.23	10.3	11.7	-6.5
Short Mat Dollar C2	US	BD	LUX	12/16	USD	13.69	10.6	11.7	-6.5
Short Mat Dollar I	US	BD	LUX	12/16	USD	7.23	11.3	12.8	-5.5

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■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	12/14	USD	121.53	21.5	21.3	9.4
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9

SUPERFUND

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	12/15	USD	41.52	-50.1	-50.0	-5.5
Superfund GCT USD*	GL	EQ	LUX	12/15	USD	2219.00	-39.2	-39.6	-3.4
Superfund Green Gold A (SPC)	OT	OT	CYM	12/15	USD	990.66	-14.8	-3.5	8.5
Superfund Green Gold B (SPC)	OT	OT	CYM	12/15	USD	953.75	-29.2	-19.9	4.2
Superfund Q-AG*	OT	OT	AUT	12/15	EUR	6582.00	-24.9	-24.9	1.5

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DJIA drops 100 points; Citigroup slumps 6.7%

By Donna Kardos Yesalavich

NEW YORK—U.S. stocks fell despite better-than-expected reports on manufacturing and leading economic indicators, as investors were more concerned about an unexpected rise in weekly jobless claims and the low price **Citigroup** got for its secondary share offering.

ABREAST OF THE MARKET

The Dow Jones Industrial Average was down 106.71 points, or 1%, at 10334.41 in midday trading.

Financial components **J.P. Morgan Chase** and **American Express** weakened. J.P. Morgan dropped 2.4%, while American Express fell 1.8%.

Discover Financial Services skidded 9.7% as fiscal fourth-quarter earnings fell 14% amid a continued rise in credit-card delinquencies.

The technology-heavy Nasdaq Composite fell 24.01 points, or 1.1%, to 2182.90. The Standard & Poor's 500-stock index declined 1%, or 10.79 points, to 1098.39.

The declines in the financial sector came after investors demanded a price so low for Citigroup's share offering that the U.S. government shelved plans to trim its 34% stake in Citigroup, as the Treasury Department would have lost money on the deal. Citigroup shares were down 6.7% at midday.

"Eventually that stock has to come to market, so that puts a cloud over Citi and the financials as well," said David Chalupnik, head of equities at First American Funds.

The Labor Department reported initial claims for jobless benefits unexpectedly rose in the week ended Dec. 12. The index of leading economic indicators rose for the eighth consecutive month in November. Mid-Atlantic area manufacturers saw rising activity in December. Still, those reports failed to make investors feel any better about the disappointing weekly jobs numbers and Citigroup pricing.

European markets

Banks and miners led European shares lower. The pan-European Dow Jones Stoxx 600 index declined 1.3% to 247.18, ending a five-session run of gains.

Banks were hit amid a proposal for tighter global capital standards and a late Wednesday downgrade of Greece's credit rating. **Lloyds Banking Group** dropped 8.1% in London, **Crédit Agricole** lost 4.6% in Paris and **Piraeus Bank** fell 2.5% in Athens.

Among national indexes, the U.K. FTSE 100 index fell 1.9% to 5217.61, the German DAX index lost 1% to 5844.44, and the French CAC-40 index shed 1.2% to 3830.82. In Athens, the ASE dropped 1.2% to 2195.35.

A stronger dollar hurt metals prices, in turn pushing down mining stocks. **Antofagasta** dropped 4.1% and **Xstrata** lost 5.2%, both in London.

—Sarah Turner in London contributed to this article.

China CNR IPO may raise $2.04 billion

SHANGHAI—**China CNR** Corp. plans to raise as much as 13.9 billion yuan ($2.04 billion) from its initial public offering, based on the indicative range of 5.00 to 5.56 yuan (73 U.S. cents to 81 U.S. cents) a share that the company set Thursday.

China CNR, one of China's major locomotive makers, cut its IPO size to 2.5 billion yuan-denominated A shares, without giving a reason.

IPO FOCUS

It had planned to sell three billion A shares, or 34.09% of its enlarged share capital, in its listing on the Shanghai Stock Exchange.

The Beijing-based company has said it plans to use 6.4 billion yuan of the proceeds to upgrade production technology.

China CNR said 5.56 yuan, the top end of the IPO range, is equivalent to 49.21 times its 2008 earnings per share.

The company will accept subscriptions from Friday to Monday.

China International Capital Corp., Huatai Securities Co. and Huarong Securities Co. are the joint underwriters of the deal.

China South Locomotive & Rolling Stock Corp., the primary rival to China CNR, raised 6.54 billion yuan from a Shanghai listing in August last year, and raised 4.16 billion Hong Kong dollars (US$536.6 million) from a Hong Kong listing shortly afterward.

—Wynne Wang

Shanghai, Hong Kong lead declines in Asia

By V. Phani Kumar And Colin Ng

Most Asian markets ended lower Thursday, with worries about a surge in supply of new shares and their impact on liquidity dragging Shanghai and Hong Kong lower.

China's Shanghai Composite Index dropped 2.3% to 3179.08 and the Hang Seng Index declined 1.2% to 21347.63 in Hong Kong, after the mainland's securities regulator gave its approval for a number of initial public offerings over the past few days.

ASIAN-PACIFIC STOCKS

"The markets are concerned about liquidity outflows...it could be outflows after the [recent] initial public offerings," said Conita Hung, Delta Asia Financial Group's head of equity markets.

China Shipbuilding Industry, which made a weaker-than-expected debut Wednesday, slumped 6.6%, while **China Citic Bank** gave up 5.2% in Shanghai.

"Buying interest in banks at the market's opening quickly fizzled out. In the absence of news, liquidity is the one thing investors are mulling," said Shen Yang, an analyst at Orient Securities.

In Hong Kong, **Belle International Holdings** slumped 7.2% after the footwear maker's management staff sold more than 253 million shares in the company at a discount to the market price.

In Tokyo, Japan's Nikkei Stock Average of 225 companies finished 0.1% lower at 10163.80. Exporters rose in early trade after the U.S. dollar briefly rose above 90 yen, although many of them pared gains or declined later in line with the dollar's retreat. Among commodity producers, **Sumitomo Metal Mining** gained 1.7% and **Inpex** added 3.6% after crude-oil and gold prices rose in New York.

In Seoul, the Korea Composite Stock Price Index, or Kospi, fell 1% to 1647.84 as the strong dollar spurred concerns about a possible reduction in dollar carry trade, which had allowed active inflow of foreign capital to local stocks.

Daewoo Securities fell 2.8%, **Samsung Securities** dropped 1.1% and **KB Financial Group** declined 2.3%. **Samsung Electronics** closed down 1.9%, and **Posco** ended 1.5% lower.

Australia's S&P/ASX 200 rose 0.2% to 4670.27, led by wealth-management companies after **National Australia Bank** submitted a surprise bid for **AXA Asia Pacific Holdings**, trumping a bid from **AMP** Ltd. and AXA SA.

AXA Asia Pacific surged nearly 13%, while NAB slumped 4.7%. NAB's bid "is a big positive for the Australian market because it shows that corporates are prepared to fight for assets," said IG Markets institutional dealer Chris Weston. "It encapsulates a positive view on the economy and the Australian wealth-management sector." AMP rose 4.1%.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	12/17	EUR	51.47	32.8	37.8	-12.0
Industria AE	EU	EQ	DEU	12/17	EUR	70.34	34.6	34.0	-17.6
InternRent AE	EU	BD	DEU	12/17	EUR	35.71	4.2	2.4	10.3

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	12/11	USD	1247.78	23.1	20.0	-8.8
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/14	JPY	15440.89	64.7	74.0	0.5
GAM Asia Equity Hedge US	OT	OT	VGB	12/14	USD	289.30	65.8	75.6	2.2
GAM Asia Equity USD	OT	OT	VGB	12/16	USD	641.31	59.8	64.0	-13.4
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/15	USD	1263.12	17.6	29.1	-18.9
GAM Com Glb Bal EUR Op	US	BA	VGB	12/07	EUR	92.97	15.3	19.6	-9.4
GAM Com Glb Bal USD Op	US	BA	VGB	12/07	USD	127.88	15.3	19.6	-9.4
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/07	EUR	94.77	21.9	29.7	-16.5
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/07	USD	127.33	21.9	29.7	-16.5
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/07	EUR	83.61	15.6	21.5	-13.7
GAM Comp Glb Gr USD Op	US	BA	VGB	12/07	USD	126.97	15.6	21.5	-13.7
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/11	USD	243.63	33.8	39.8	-13.6
GAM Cross Trading Inc	OT	OT	VGB	12/07	USD	465.16	6.3	6.6	6.6
GAM Diversity CHF Op	OT	OT	VGB	12/07	CHF	94.62	4.6	3.3	-6.8
GAM Diversity EUR Op	OT	OT	VGB	12/07	EUR	650.56	5.4	4.6	-5.2
GAM Diversity USD 2.5XL	OT	OT	VGB	12/07	USD	78.98	9.5	7.4	-19.6
GAM Diversity USD Op	OT	OT	VGB	12/07	USD	683.10	5.4	4.4	-5.7
GAM Dvrsty II CHF Op	OT	OT	VGB	12/07	CHF	99.92	4.4	3.0	-6.5
GAM Dvrsty II EUR Op	OT	OT	VGB	12/07	EUR	139.30	5.0	3.6	-5.3
GAM Dvrsty II USD Op	OT	OT	VGB	12/07	USD	211.02	5.0	3.8	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/07	EUR	116.03	5.0	3.4	-5.4
GAM DvrstyIII USD Op	OT	OT	VGB	12/07	USD	122.48	5.0	3.5	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/14	EUR	214.90	9.0	8.6	-5.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/14	USD	199.89	9.7	9.8	-4.3
GAM European Equity USD	OT	OT	VGB	12/16	USD	296.62	24.5	28.0	-14.4
GAM GAMCO	OT	EQ	VGB	12/15	USD	806.38	39.0	46.0	-11.7
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/14	EUR	98.24	13.9	13.7	-17.1
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/14	USD	103.54	14.4	14.1	-16.4
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/14	USD	249.86	22.4	26.8	-9.7
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/14	USD	288.70	102.2	109.0	21.0
GAM Intrst Trend II	GL	BD	VGB	12/14	USD	93.42	41.4	35.8	-8.4
GAM Intrst Trend Inc	OT	OT	VGB	12/14	USD	249.11	56.4	51.3	-6.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/14	EUR	114.26	7.0	10.4	-10.8
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/14	USD	118.83	5.7	NS	-22.0
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/14	JPY	8176.72	6.0	13.3	-21.7
GAM Japan USD	JP	EQ	VGB	12/16	USD	1100.55	6.3	10.3	-16.6
GAM Japan YEN	JP	EQ	VGB	12/16	JPY	8667.30	8.2	13.9	-24.4
GAM Money Mkt EuroOp	EU	MM	VGB	12/16	EUR	51.20	0.1	0.1	1.7
GAM Money Mkt USD	US	MM	VGB	12/15	USD	99.93	-0.1	-0.1	0.9
GAM Multi-Arb EUR Op	OT	OT	VGB	12/07	EUR	113.69	1.4	-0.9	-8.4
GAM Multi-Arb USD Op	OT	OT	VGB	12/07	USD	118.72	1.7	-0.7	-8.7
GAM Multi-China EUR Op	OT	OT	VGB	12/07	EUR	168.17	13.2	13.5	-8.5
GAM Multi-China USD Op	OT	OT	VGB	12/07	USD	176.80	13.8	14.1	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/07	GBP	130.40	24.7	23.2	-2.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/07	USD	645.81	24.6	23.2	-2.7
GAM Multi-Eur EUR Op	OT	OT	VGB	12/07	EUR	269.11	7.2	6.3	-9.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/07	EUR	138.47	7.2	6.2	-10.0
GAM Multi-Eur II USD Op	OT	OT	VGB	12/07	USD	113.24	6.8	5.8	-10.9
GAM Multi-Eur USD Op	OT	OT	VGB	12/07	USD	468.44	6.9	6.0	-10.8
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/07	EUR	132.75	11.4	11.2	-4.3
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/07	USD	216.32	11.8	11.9	-4.3
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/07	EUR	142.87	4.8	4.6	-4.5
GAM Multi-Pac USD Op	OT	OT	VGB	12/07	USD	164.92	4.9	4.9	-4.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/11	USD	2574.88	65.5	71.2	9.7
GAM Sing/Malaysia	AS	EQ	VGB	12/16	USD	2514.14	51.3	52.3	-10.3
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/14	GBP	241.88	40.0	40.4	2.3
GAM Trading EUR Inc	OT	OT	VGB	12/07	EUR	324.66	6.2	6.0	7.2
GAM Trading USD Inc	OT	OT	VGB	12/07	USD	971.52	6.4	6.7	6.7
GAM Trdg II IncEUR Op	OT	OT	VGB	12/07	EUR	138.89	6.1	6.3	7.2
GAM Trdg II IncUSD Op	OT	OT	VGB	12/07	USD	315.45	6.4	6.7	6.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/07	EUR	146.55	5.9	5.6	6.8
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/07	USD	154.28	6.1	6.1	6.6
GAM Trdg V IncEUR Op	OT	OT	VGB	12/07	EUR	124.26	5.9	5.4	6.7
GAM Trdg V IncUSD Op	OT	OT	VGB	12/07	USD	129.39	6.0	6.0	6.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/07	EUR	156.72	6.0	6.0	6.9
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/07	USD	162.25	6.1	6.5	6.6
GAM USDSpecBondInc	US	BD	VGB	12/14	USD	518.91	70.7	75.0	5.7
GAM Worldwide	GL	EQ	VGB	12/15	USD	2222.97	24.1	26.6	-10.5
GAMut Investments	OT	OT	VGB	12/09	USD	7569.02	4.2	5.3	7.7

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/16	CHF	10.82	54.8	47.4	-17.3
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/16	EUR	11.48	55.1	57.3	-12.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/16	GBP	1.52	45.3	57.0	-2.2
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/16	USD	13.11	61.7	67.1	-11.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/16	EUR	99.01	16.3	19.1	-15.8
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/16	EUR	95.82	16.3	19.1	-15.8
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/16	EUR	10.81	21.1	23.6	-12.7
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/16	EUR	179.77	21.1	22.3	-15.2
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/16	EUR	164.27	21.0	22.2	-15.2
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/16	USD	15.93	26.0	29.7	-14.6
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/16	USD	14.44	25.9	29.6	-14.6
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/15	USD	5.57	18.3	12.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/16	EUR	87.26	5.3	6.3	-15.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/16	EUR	87.26	5.3	6.3	-15.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/16	JPY	904.85	6.0	8.9	-25.0
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/16	USD	11.11	3.7	6.7	-17.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/16	USD	2221.50	25.0	27.6	-10.1

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American Growth	US	EQ	LUX	12/17	USD	14.94	23.9	28.6	-14.3
American Growth AA	US	EQ	LUX	12/17	USD	0.86	23.6	28.3	-7.5
Asian Equity	AS	EQ	LUX	12/17	USD	2.37	61.1	63.2	-10.0
Asian Equity AA	AS	EQ	LUX	12/17	USD	0.77	60.5	62.6	-10.3
Asian Sm Cap Equity AA	AS	EQ	LUX	12/17	USD	1.15	90.6	99.6	-5.7
China Value A	AS	EQ	LUX	12/17	USD	6.91	62.4	64.6	-6.6
China Value AA	AS	EQ	LUX	12/17	USD	2.17	62.0	64.2	-6.9
Dragon Growth	AS	EQ	LUX	12/17	USD	1.59	65.3	63.2	-10.0
Dragon Growth AA	OT	OT	LUX	12/17	HKD	7.74	65.2	62.8	-11.1
Emg Eastrn Europe A	EU	EQ	LUX	12/17	USD	4.45	91.4	84.8	-19.4
Emg Eastrn Europe AA	EU	EQ	LUX	12/17	USD	1.92	91.1	84.5	-19.5
European Growth	EU	EQ	LUX	12/17	USD	8.95	41.6	46.5	-18.2
European Growth AA	EU	EQ	LUX	12/17	USD	0.64	41.3	46.1	-18.4
Global Contrarain AA	GL	EQ	LUX	12/17	USD	0.87	79.8	89.7	NS
Global Property AA	OT	EQ	LUX	12/17	USD	0.66	43.9	50.9	-15.5
Global Resources AA	OT	EQ	LUX	12/17	USD	1.07	52.3	58.3	-11.1
Healthcare AA	OT	EQ	LUX	12/17	USD	0.93	13.3	19.7	NS
India Equity AA	EA	EQ	LUX	12/17	USD	1.06	75.0	69.4	-20.1
International Growth	GL	EQ	LUX	12/17	USD	3.00	21.1	24.9	-16.4
International Growth AA	GL	EQ	LUX	12/17	USD	0.70	20.8	24.6	-16.6
Japanese Growth	JP	EQ	LUX	12/17	USD	2.78	7.8	12.0	-13.7
Japanese Growth AA	JP	EQ	LUX	12/17	USD	0.73	7.6	11.7	-12.2
Latin America Equity AA	GL	EQ	LUX	12/17	USD	1.27	105.5	106.3	-4.3
Manulife GF Strategic Income Fund AA	OT	OT	NA	12/17	USD	1.00	NS	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/17	USD	1.10	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/17	USD	0.64	133.6	114.5	-22.4
Taiwan Equity AA	AS	EQ	LUX	12/17	USD	1.01	74.3	74.2	0.4
Turkey Equity AA	EE	EQ	LUX	12/17	USD	0.72	98.3	106.2	-16.0
U.S. Bond AA	US	BD	LUX	12/17	USD	1.11	17.8	20.4	7.6
U.S. High Yield Bond AA	US	BD	LUX	12/17	USD	0.80	78.4	92.5	-1.2
U.S. Sm Cap Equity AA	US	EQ	LUX	12/17	USD	0.80	66.4	71.2	-14.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/17	USD	1.15	8.0	11.5	3.8

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Indonesian Grth Fund	EA	EQ	CYM	12/16	USD	126.99	120.1	114.6	-4.7

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■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/16	USD	7.86	83.2	80.3	-7.5

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SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	12/15	EUR	20.44	53.8	56.6	-1.8
Bonds EURO A	EU	BD	LUX	12/16	EUR	41.38	4.8	6.2	6.0
Bonds EUROPE A	EU	BD	LUX	12/15	EUR	39.12	3.3	4.7	4.8
Bonds US OppsCoreplus A	US	BD	LUX	12/15	USD	37.08	17.6	19.8	8.9
Bonds World A	GL	BD	LUX	12/15	USD	42.88	7.7	9.9	8.3
Eq. China A	AS	EQ	LUX	12/16	USD	23.86	59.6	59.6	-13.8
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/15	EUR	26.24	27.4	28.2	-18.9
Eq. Eastern Europe A	EU	EQ	LUX	12/15	EUR	22.15	67.6	54.7	-29.3
Eq. Euroland A	EU	EQ	LUX	12/16	EUR	10.71	16.8	17.2	-21.0
Eq. EurolandCyclclsA	EU	EQ	LUX	12/15	EUR	17.42	26.8	31.2	-16.7
Eq. EurolandFinancialA	OT	EQ	LUX	12/15	EUR	11.05	31.1	30.6	-23.1
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/16	USD	9.51	59.1	56.5	-16.1
Eq. Global A	GL	EQ	LUX	12/16	USD	27.68	31.6	33.9	-15.3
Eq. Global Energy A	OT	EQ	LUX	12/15	USD	17.71	24.2	23.3	-14.9
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	12/15	USD	30.76	47.1	61.8	2.8
Eq. Pacific A	AS	EQ	LUX	12/16	USD	10.14	58.8	61.0	-14.1
Eq. US Lg Cap Gr A	US	EQ	LUX	12/16	USD	15.09	40.0	37.7	-13.0
Eq. US Rel Val A	US	EQ	LUX	12/15	USD	20.40	31.4	37.7	-16.5
Eq. US Sm Cap Val A	US	EQ	LUX	12/16	USD	15.60	19.6	30.1	-20.8
Money Market EURO A	EU	MM	LUX	12/15	EUR	27.39	1.0	1.1	2.7
Money Market USD A	US	MM	LUX	12/15	USD	15.83	0.5	0.6	1.8

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TNI Mena Real Estate Fund	OT	OT	BMU	12/10	USD	929.00	-1.2	-7.1	-28.2
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/10	AED	4.67	1.8	-10.5	-35.1

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Intel-Chin MainInd Foc	AS	EQ	CYM	12/15	USD	29.84	86.0	90.8	0.9
Intel-China Converg*	AS	EQ	CYM	12/15	USD	114.29	87.6	93.1	-0.6
VP Classic - A	AS	EQ	CYM	12/16	USD	183.78	80.3	86.3	-3.6
VP CLassic - B	AS	EQ	CYM	12/16	USD	85.67	79.4	85.4	-4.1
VP High Dividend Stk	AS	EQ	CYM	12/14	USD	45.84	84.5	91.5	-1.1

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/17	JPY	9184.00	7.2	10.4	-26.5
YMR-N Small Cap Fund	OT	OT	IRL	12/17	JPY	6885.00	7.5	11.7	-26.8

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/17	JPY	6022.00	2.0	4.1	-27.6
Yuki 77 Growth	JP	EQ	IRL	12/17	JPY	5540.00	-6.4	-5.7	-33.0

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/17	JPY	6662.00	6.8	8.9	-24.3
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/17	JPY	7424.00	-9.4	-7.2	-23.9

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/17	JPY	4577.00	0.6	2.2	-27.6
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/17	JPY	5189.00	-1.7	-0.5	-21.2
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/17	JPY	5011.00	6.5	10.0	-24.4

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/17	JPY	4308.00	1.4	2.9	-31.6
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/17	JPY	4564.00	1.6	2.5	-31.2
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/17	JPY	6781.00	11.1	13.0	-26.1
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/17	JPY	8421.00	5.0	7.5	-25.6
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/17	JPY	6260.00	0.1	2.2	-28.8
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/17	JPY	7506.00	-5.6	-4.1	-24.1
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/17	JPY	5076.00	1.8	3.3	-26.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/17	JPY	11158.00	-1.5	1.3	-21.3
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/17	JPY	7812.00	2.3	3.5	-31.0
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/17	JPY	7040.00	14.8	18.0	-26.2
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/17	JPY	5518.00	6.3	7.4	-23.2
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/17	JPY	2674.00	12.0	10.9	-31.9

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/17	JPY	5303.00	4.0	6.5	-25.7

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MARKETS

BIS will phase in bank-capital rules

Target for implementation is 2012, but that isn't a firm deadline; banks get more time to raise funds

By Adam Bradbery

LONDON—A key rule-setting committee of the Bank for International Settlements said Thursday that beefed-up rules on the amount of capital that banks need to set aside against potential losses will be phased in as financial conditions improve, but with a target of the end of 2012.

The bank's Basel Committee on Banking Supervision, made up of central bankers and regulators from around the world, also said it will allow banks to improve the quality of the capital they hold over a "sufficiently long period."

The committee published a draft set of global standards designed to ensure that banks don't lend too much in the future but do have enough high-quality capital and liquid assets, allowing them to weather future financial crises.

The committee said it will raise the quality of the capital that banks hold and make sure it better covers the possibility of losses on trading, securitized assets and from the default of trading counterparties.

"The capital and liquidity proposals will result in more resilient banks and a sounder banking and financial system," said Nout Wellink, chairman of the Basel Committee and president of the Netherlands Bank. "They will promote a better balance between financial innovation and sustainable growth."

The Basel Committee said it will analyze, during the first half of 2010, the likely impact of the standards it plans to introduce. A fully calibrated set of requirements will then be issued at the end of 2010 and phased in as "financial conditions improve and the economic recovery is restored," it said.

The committee said it is "mindful" of the need to introduce these measures in a way that doesn't hamper bank lending.

The committee's flexible approach resonated with regions concerned that new rules would hurt economic growth. Reports that the Basel guidelines wouldn't keep to a tight 2012 deadline sent Japanese bank shares soaring Wednesday. Investors cheered the prospect that lenders would face less pressure to raise capital.

Compared with their peers elsewhere, Japanese banks generally have lower core Tier 1 capital ratios—a measure of a bank's health. They have been raising billion of dollars this year in equity markets, contributing to a drop in share prices. On Thursday, the banks held most of their gains.

The end-2012 target date relies on national regulators crafting new national rules. Some countries have lagged behind in past efforts at implementing capital rules. Most U.S. banks are due to start adopting the existing Basel II standards, crafted in 2004, only next year.

"This is a real test of the G-20 and [the Financial Stability Board's] appetite to come up with a less-fragmented regulatory system," said Jonathan McMahon, a director at Promontory Financial Group, a company that advises financial firms on regulations. "If these countries don't all deliver by 2012, then arguably we're not much further forward in terms of robust financial regulatory structures."

The committee said it wants to increase the quality of capital held by banks, saying Tier 1 capital should predominantly be made up of common equity and retained earnings. However, it said it will allow banks enough time to switch.

Many banks have used cheaper instruments, such as hybrid debt, to make up their Tier 1 capital in recent years, but regulators realize these instruments didn't absorb losses well enough during the financial crisis. To demand an immediate switch to better-quality instruments, however, would have likely created problems for some banks, the BIS said.

Associated Press

Brian T. Moynihan said he doesn't foresee any 'big changes' in strategy. 'We just have to execute.'

BofA taps Moynihan as CEO

By Dan Fitzpatrick

Bank of America Corp. promoted Brian T. Moynihan to president and chief executive, ending a 11-week search with a unanimous boardroom vote in favor of a longtime insider.

The 50-year-old Mr. Moynihan now runs the Charlotte, N.C., bank's consumer and small-business operations, including about 6,000 retail branches in the U.S. An Ohio-born lawyer, he is one of the few high-ranking holdovers from the 2004 acquisition of FleetBoston Financial Corp. Long considered a potential CEO, Mr. Moynihan nearly left last year after spurning an offer to run Bank of America's credit-card unit in Delaware.

In an interview Wednesday, Mr. Moynihan said he doesn't intend to exit any of the company's current businesses. He also doesn't foresee any "big changes" in the strategy of the nation's largest bank by assets. "We just have to execute," he said. Mr. Moynihan takes over Jan. 1, one day after the previously announced retirement of Kenneth D. Lewis, the company's CEO since 2001.

Bank of America Chairman Walter E. Massey, who led the search, said in an interview that Mr. Moynihan is "comfortable on Wall Street and on Main Street," adding that his "wealth of experience" exceeded "all other candidates for the job."

Mr. Moynihan didn't discuss compensation as part of his election as CEO, and his pay will be determined at a later date. Mr. Massey declined to discuss what led directors to choose him over Gregory Curl, the chief risk officer at Bank of America who also was a strong candidate for the job. Mr. Curl will keep his current post "unless someone decided differently," said company spokesman Robert Stickler. "Everybody right up through Brian wants him to stay."

Some analysts breathed a sigh of relief that the fitful, thorny search process triggered by Mr. Lewis's unexpected retirement announcement Sept. 30 is finally over. The move exposed divisions on a board cobbled together last summer at the request of U.S. regulators, with some directors pushing for an outsider and others arguing that an insider would best maintain stability and prevent an executive exodus.

Regulators appeared to favor looking outside, but that scenario suffered a setback when talks with **Bank of New York Mellon** Corp. Chief Executive Robert Kelly fell apart Monday because of differences over his pay and other issues. At least several other outsiders said no or told friends they weren't interested, including Laurence Fink, chairman and CEO of **BlackRock** Inc., and **Citigroup** Inc. directors Eugene McQuade and Michael O'Neill, both former executives at banks acquired by Bank of America.

"It's good that they have got somebody, period," said Nancy Bush, an analyst with NAB Research LLC in Annandale, N.J. "It will not be a particular surprise to the market, and there will be divided opinions. From my perspective, go with who you know and heal that company."

Mr. Moynihan's immediate challenges include shoring up morale that was undermined by the financial crisis and controversy over the takeover of Merrill Lynch & Co.

Mr. Lewis had urged directors to choose the 61-year-old Mr. Curl, saying the older executive would be less disruptive. In a statement Wednesday, Mr. Lewis called Mr. Moynihan "the right person to lead our company forward."

—Joann S. Lublin contributed to this article

Treasury halts its plan to sell Citigroup shares

By David Enrich

The U.S. government abruptly shelved plans to start trimming its 34% stake in **Citigroup** Inc., after investors demanded a price so low that the Treasury Department would have lost money on the deal.

The reversal, an embarrassment for the government and the bank, came two days after the Treasury said it planned to sell as much as $5 billion of stock in the New York company as part of Citigroup's plan to pay back $20 billion in taxpayer aid the bank received last year.

The offering encountered a lukewarm reception on Wall Street, where investors were skeptical of the company's earnings prospects and had already spent heavily on shares of rival banks this week.

As a result, Citigroup had to sell its stock at a discounted price of $3.15 a share. That is 10 cents below what the Treasury paid for each of its 7.7 billion shares.

The news caused Citigroup's shares to open at $3.15 on the New York Stock Exchange, matching the offering price. By midday Thursday, the shares were down 6.7% to $3.22.

Faced with a potential paper loss of $770 million on its Citigroup stake, the Treasury said it had decided to hold off selling any of its shares until next year.

The government now plans to unload its Citigroup stock gradually over the next 12 months. That is a shift from the Treasury's announcement Monday that it planned to dispose of the shares over six to 12 months.

"Based on today's offering price, Treasury has decided not to participate in the equity offering," a Treasury official said. "We expect to divest the government's stake in Citigroup shares over 12 months."

Some said the disappointing showing casts doubt on the wisdom of Citigroup's rush to exit the bailout and the government's approval of that move.

It "ended up being somewhat detrimental to its common shareholders," said analyst Edward Najarian, the head of bank research at International Strategy & Investment Group Inc., a research and trading firm.

"It says that this was a premature move," said Mike Mayo, a banking analyst with Calyon Securities.

Some investors said they would only buy shares if the Treasury held off on any future stock sales for at least 90 days, instead of the 45 days proposed by the government, people familiar with the matter said. After Citigroup told the Treasury of the difficulties luring investors, the Treasury agreed to shelve its planned stock sale and to not sell any shares for at least 90 days.

The Treasury previously enjoyed the ability to sell its Citigroup shares whenever it wanted. The lockup partly deprives the Treasury of the flexibility to sell the shares when it views circumstances as favorable, potentially depriving taxpayers of the best price.

Citigroup did make progress in shoring up its capital: It generated $17 billion by selling 5.4 billion new shares, in what the company described as "the largest public-equity offering in U.S. capital markets history." Citigroup said it plans to go forward with repaying the bailout funds and unwinding a deal in which the government was shielding Citigroup from most losses on $301 billion of assets.

After nearly two weeks of heated talks with Citigroup executives, federal officials on Monday agreed to let Citigroup exit the Troubled Asset Relief Program on the condition that it drum up about $20 billion in new capital by selling common stock and other securities.

The Treasury initially planned to sell $2 billion of Citigroup shares. But Citigroup executives pressed the government to more than double that amount as a show of confidence. Treasury officials agreed.

Big investors balked. One problem was that the government on Monday let Wells Fargo & Co. repay its $25 billion in TARP funds once it raised $10.4 billion by selling common shares. The San Francisco bank moved faster than Citigroup, completing its offering Monday evening, hours after announcing it.

Investors and Citigroup officials said Wells Fargo's sale sapped demand for Citigroup's offering.

—Susanne Craig and Damian Paletta contributed to this article.

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Russia	-2.07%	**101.9%**	107.7%
Brazil	-2.95	**101.4**	99.0
Turkey	-1.53	**81.7**	83.6
China 88	-1.86	**79.2**	59.7
Singapore	-0.05	**61.2**	58.1
South Korea	-1.01	**49.4**	41.3
Sweden	-1.31	**48.1**	46.1
Hong Kong	-1.25	**44.8**	34.0
Netherlands	-0.95	**37.9**	36.8
Canada	-1.03	**26.6**	34.1
Australia	-0.29	**24.1**	29.4
Switzerland	-1.06	**23.9**	23.3
South Africa	0.67	**20.9**	20.6
France	-1.31	**19.5**	18.9
Italy	-1.03	**19.4**	18.7
U.K.	-1.64	**17.6**	21.0
Germany	-1.01	**15.8**	17.0
Spain	-1.49	**14.8**	14.1
Japan	-0.17	**6.1**	8.8

Dow Jones Regional Sector Titans

Basic Res	-2.26%	**76.3%**	71.7%
Tiger 50*	-1.06	**52.5**	44.1
Auto Parts	-1.24	**51.6**	44.9
Nordic 30 -p	1.08	**37.1**	36.6
EU Enlarged†-p	0.71	**31.4**	30.4
Asian 50	-1.17	**28.9**	27.6
Stoxx 50 -p	1.46	**22.0**	23.2
Euro Stoxx 50 -p	1.31	**19.6**	19.7
Global 50	-0.77	**19.2**	19.1
Arab 50	-0.36	**6.2**	-2.3

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Westfield Grp	Australia	Retail REITs	$24.4	12.08	**2.55%**	-9.2%	-38.2%
JFE Hldgs	Japan	Iron Steel	20.7	3,520	**2.33**	35.4	-41.1
Mizuho Financial Grp	Japan	Banks	28.9	185.00	**1.65**	-28.0	-78.3
QBE Ins Grp	Australia	Reinsurance	21.5	24.21	**1.38**	-3.2	-14.1
Mitsui	Japan	Industrial Suppliers	25.7	1,278	**1.35**	52.1	-26.3
National Australia Bk	Australia	Banks	$48.7	26.65	**-4.65%**	34.5	-33.8
KB Fncl Group	South Korea	Banks	19.9	60,800	**-2.25**	72.5	-15.7
Hutchison Whampoa	Hong Kong	Diversified Industrials	27.6	50.25	**-2.05**	22.6	-34.9
Sun Hung Kai Prop	Hong Kong	Real Estate Holding Development	37.9	114.70	**-2.05**	61.7	30.7
Samsung Elec	South Korea	Semiconductors	96.1	765,000	**-1.92**	63.5	24.4

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
RioZim Ltd Australia (General Mining)	38.6	71.65	**1.20%**	127.0%	21.6%
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	36.9	140.00	**1.08**	136.8	-4.6
BHP Billiton Australia (General Mining)	123.2	41.41	**0.88**	33.6	63.7
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	49.8	62.20	**0.65**	38.9	-2.7
CNOOC Hong Kong (Exploration Production)	69.5	12.06	**0.50**	59.1	74.3
Seven I Hldgs Japan (Broadline Retailers)	19.0	1,893	**0.48**	-36.1	-49.3
Japan Tobacco Japan (Tobacco)	31.0	291,100	**0.45**	3.2	-49.6
KDDI Japan (Mobile Telecommunications)	23.4	476,000	**0.42**	-22.7	-40.6
Aus NZ Bk Australia (Banks)	47.9	21.58	**0.37**	51.2	-23.8
Nippon Steel Japan (Iron Steel)	25.4	363.00	**0.28**	24.3	-39.6
Indl Comm Bk China Hong Kong (Banks)	67.6	6.31	**0.16**	42.8	44.1
Canon Japan (Electronic Office Equipment)	51.3	3,740	**...**	38.8	-43.8
East Japan Railway Japan (Travel Tourism)	27.1	6,090	**...**	-11.0	-24.0
Takeda Pharm Japan (Pharmaceuticals)	33.0	3,770	**...**	-15.5	-53.1
Toyota Motor Japan (Automobiles)	131.5	3,760	**...**	27.0	-51.0
NTT DoCoMo Japan (Mobile Telecommunications)	62.1	131,100	**-0.15**	-24.2	-30.3
Sony Japan (Consumer Electronics)	28.7	2,590	**-0.19**	42.7	-49.1
Nippon T&T Japan (Fixed Line Telecommunications)	54.2	3,690	**-0.27**	-20.5	-37.9
Honda Motor Japan (Automobiles)	61.7	3,040	**-0.33**	66.6	-32.0
Shin-Etsu Chml Japan (Specialty Chemicals)	23.6	5,010	**-0.40**	32.5	-37.0

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Nissan Motor Japan (Automobiles)	37.0	737.00	**-0.41%**	142.4%	-48.4%
Panasonic Japan (Consumer Electronics)	29.7	1,290	**-0.54**	26.4	-45.2
Kansai Elec Power Japan (Conventional Electricity)	22.6	2,130	**-0.70**	-17.3	-34.7
Mitsubishi Japan (Industrial Suppliers)	40.6	2,225	**-0.89**	84.5	-0.7
Woolworths Australia (Food Retailers Wholesalers)	29.3	26.85	**-0.92**	5.9	15.1
Woodside Petroleum Australia (Exploration Production)	29.4	46.70	**-1.02**	38.1	21.3
Westpac Bking Australia (Banks)	60.3	23.35	**-1.06**	46.5	-2.4
PetroChina Hong Kong (Integrated Oil Gas)	25.3	9.30	**-1.06**	28.3	-10.2
Commonwealth Bk of Australia Australia (Banks)	70.2	52.08	**-1.12**	96.5	7.2
China Mobile (HK) Hong Kong (Mobile Telecommunications)	181.5	70.80	**-1.19**	-16.0	12.9
Tokyo Elec Power Japan (Conventional Electricity)	35.0	2,335	**-1.27**	-19.3	-40.3
Mitsubishi UFJ Finl Grp Japan (Banks)	59.6	464.00	**-1.28**	-14.4	-69.1
Nintendo Japan (Toys)	30.3	21,330	**-1.34**	-38.3	-28.3
Tokio Marine Japan (Property Casualty Insurance)	22.4	2,560	**-1.35**	-1.9	-39.9
Shinhan Financial Grp South Korea (Banks)	18.5	45,700	**-1.40**	47.3	-0.0
Sumitomo Mitsui Finl Japan (Banks)	33.4	2,985	**-1.49**	-22.3	-75.5
POSCO South Korea (Iron Steel)	37.9	586,000	**-1.51**	49.3	86.6
China Life Ins Hong Kong (Life Insurance)	36.6	38.15	**-1.55**	49.6	62.7
Cheung Kong (Hldgs) Hong Kong (Real Estate Holding Development)	29.0	97.20	**-1.67**	22.4	4.0
China Constr Bk Hong Kong (Banks)	186.8	6.45	**-1.68**	39.3	41.5

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.01%	0.53%	1.2%	7.7%	8.0%
Event Driven	-0.14	1.21	3.5	14.8	15.5
Equity Long/Short	0.86	0.65	-0.6	3.6	-2.5

*Estimates as of 12/15/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

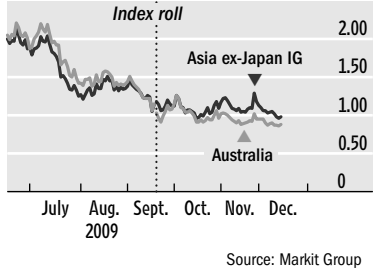
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.80	100.95%	0.01%	1.00	0.78	0.85
Eur. High Volatility: 12/1	1.17	99.20	0.01	1.76	1.17	1.41
Europe Crossover: 12/1	4.73	101.08	0.05	6.15	4.71	5.28
Asia ex-Japan IG: 12/1	0.98	100.09	0.01	1.29	0.96	1.09
Japan: 12/1	1.41	98.04	0.01	1.68	0.99	1.33

Note: Data as of December 16

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Acom	354	**-26**	-27	-21
All Nippon Awys	333	**-17**	-17	9
Nishimatsu Constr	529	**-15**	-16	43
Taiheiyo Cem	523	**-11**	-9	23
Nec Electrs	248	**-5**	-11	-6
Orix	355	**-5**	-12	13
Mitsui Sumitomo Ins	76	**-4**	-4	-2
Korea Expwy	70	**-4**	-3	-8
Mizuho Corporate Bk	105	**-4**	-4	5
Philippine Long Distance Tel	129	**-3**	-15	-9

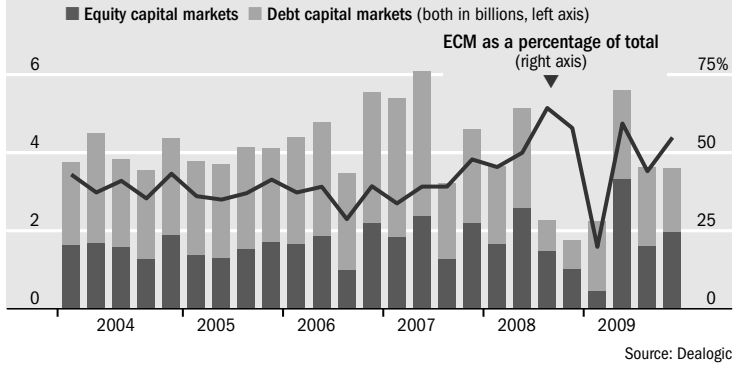
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Hana Bank	104	**3**	-5	-7
Korea Dep Ins	74	**3**	-3	-5
Bk of China	111	**3**	1	2
Kookmin Bk	100	**3**	-4	-5
SK Energy	108	**4**	-8	-9
Obayashi	218	**4**	8	30
Yamaha Mtr	85	**4**	3	...
Indl Bk Korea	99	**4**	-2	-1
Mazda Mtr	227	**5**	3	17
Nomura Hldgs	211	**6**	-5	51

Source: Markit Group

US: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	402.00	-8.25	-2.01%	712.25	315.50
Soybeans (cents/bu.)	CBOT	1043.00	-24.00	-2.25	1,560.00	805.00
Wheat (cents/bu.)	CBOT	527.00	-10.25	-1.91	1,029.25	459.00
Live cattle (cents/lb.)	CME	84.900	-0.025	-0.03	108.600	81.900
Cocoa ($/ton)	ICE-US	3,403	-95	-2.72	3,510	1,994
Coffee (cents/lb.)	ICE-US	146.95	-1.35	-0.91	188.65	115.00
Sugar (cents/lb.)	ICE-US	25.61	-0.33	-1.27	26.64	11.91
Cotton (cents/lb.)	ICE-US	75.25	-1.00	-1.31	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,604.00	24	0.93%	2,620	2,013
Cocoa (pounds/ton)	LIFFE	2,295	-14	-0.61	2,337	1,310
Robusta coffee ($/ton)	LIFFE	1,362	-11	-0.80	1,955	1,295
Copper (cents/lb.)	COMEX	313.70	-6.85	-2.14	365.00	135.50
Gold ($/troy oz.)	COMEX	1115.00	-20.50	-1.81	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1741.00	-28.30	-1.60	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,245.00	-34.00	-1.49	2,283.00	1,288.00
Tin ($/ton)	LME	15,600.00	250.00	1.63	15,700.00	9,750.00
Copper ($/ton)	LME	6,949.50	-45.00	-0.64	7,100.00	2,815.00
Lead ($/ton)	LME	2,365.00	-25.00	-1.05	2,487.00	870.00
Zinc ($/ton)	LME	2,401.00	1.00	0.04	2,406.00	1,086.00
Nickel ($/ton)	LME	17,125	-80	-0.46	21,150	9,475
Crude oil ($/bbl.)	NYMEX	71.97	-0.69	-0.95	117.00	47.60
Heating oil ($/gal.)	NYMEX	1.9653	-0.0220	-1.11	3.5570	1.3816
RBOB gasoline ($/gal.)	NYMEX	1.8683	-0.0320	-1.68	2.1342	1.2304
Natural gas ($/mmBtu)	NYMEX	5.809	0.307	5.58	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	73.07	-1.22	-1.64	145.00	50.00
Gas oil ($/ton)	ICE-EU	594.50	-8.75	-1.45	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 17

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4763	0.1826	3.8165	0.2620
Brazil real	2.5567	0.3911	1.7818	0.5612
Canada dollar	1.5343	0.6518	1.0693	0.9352
1-mo. forward	1.5343	0.6518	1.0693	0.9352
3-mos. forward	1.5343	0.6518	1.0693	0.9352
6-mos. forward	1.5345	0.6517	1.0694	0.9351
Chile peso	717.74	0.001393	500.20	0.001999
Colombia peso	2887.95	0.0003463	2012.65	0.0004969
Ecuador US dollar-f	1.4349	0.6969	1	1
Mexico peso-a	18.5142	0.0540	12.9028	0.0775
Peru sol	4.1275	0.2423	2.8765	0.3476
Uruguay peso-e	28.196	0.0355	19.650	0.0509
U.S. dollar	1.4349	0.6969	1	1
Venezuela bolivar	3.08	0.324553	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6177	0.6182	1.1274	0.8870
China yuan	9.7982	0.1021	6.8285	0.1464
Hong Kong dollar	11.1295	0.0899	7.7563	0.1289
India rupee	67.2394	0.0149	46.8600	0.0213
Indonesia rupiah	13596	0.0000736	9475	0.0001055
Japan yen	129.38	0.007729	90.17	0.011091
1-mo. forward	129.35	0.007731	90.14	0.011093
3-mos. forward	129.31	0.007734	90.11	0.011097
6-mos. forward	129.19	0.007740	90.04	0.011107
Malaysia ringgit-c	4.9325	0.2027	3.4375	0.2909
New Zealand dollar	2.0138	0.4966	1.4034	0.7126
Pakistan rupee	121.034	0.0083	84.350	0.0119
Philippines peso	66.579	0.0150	46.400	0.0216
Singapore dollar	2.0144	0.4964	1.4039	0.7123
South Korea won	1687.26	0.0005927	1175.88	0.0008504
Taiwan dollar	46.397	0.02155	32.335	0.03093
Thailand baht	47.682	0.02097	33.230	0.03009

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6969	1.4349
1-mo. forward	1.0001	0.9999	0.6970	1.4348
3-mos. forward	1.0002	0.9998	0.6971	1.4346
6-mos. forward	1.0006	0.9994	0.6973	1.4340
Czech Rep. koruna-b	26.265	0.0381	18.305	0.0546
Denmark krone	7.4430	0.1344	5.1871	0.1928
Hungary forint	278.59	0.003590	194.15	0.005151
Norway krone	8.4178	0.1188	5.8665	0.1705
Poland zloty	4.1937	0.2385	2.9227	0.3422
Russia ruble-d	44.217	0.02262	30.816	0.03245
Sweden krona	10.4545	0.0957	7.2859	0.1373
Switzerland franc	1.5028	0.6654	1.0474	0.9548
1-mo. forward	1.5025	0.6656	1.0471	0.9550
3-mos. forward	1.5019	0.6658	1.0467	0.9554
6-mos. forward	1.5006	0.6664	1.0458	0.9562
Turkey lira	2.1810	0.4585	1.5200	0.6579
U.K. pound	0.8896	1.1241	0.6200	1.6130
1-mo. forward	0.8898	1.1239	0.6201	1.6127
3-mos. forward	0.8901	1.1234	0.6203	1.6120
6-mos. forward	0.8906	1.1229	0.6206	1.6112
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5409	1.8486	0.3770	2.6526
Egypt pound-a	7.8919	0.1267	5.5000	0.1818
Israel shekel	5.4533	0.1834	3.8005	0.2631
Jordan dinar	1.0163	0.9840	0.7083	1.4119
Kuwait dinar	0.4109	2.4337	0.2864	3.4921
Lebanon pound	2155.94	0.0004638	1502.50	0.0006656
Saudi Arabia riyal	5.3821	0.1858	3.7509	0.2666
South Africa rand	10.8177	0.0924	7.5390	0.1326
United Arab dirham	5.2705	0.1897	3.6731	0.2722
SDR -f	0.9135	1.0947	0.6366	1.5709

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
33	**ASIA-PACIFIC**	DJ Asia-Pacific	121.16	-1.11	-0.91%	29.5%	29.3%
...	Australia	SPX/ASX 200	4670.27	8.36	0.18%	25.5	30.4
...	China	CBN 600	28283.60	-702.26	-2.42	91.6	71.6
20	Hong Kong	Hang Seng	21347.63	-264.11	-1.22	48.4	37.7
19	India	Sensex	16894.25	-18.52	-0.11	75.1	67.7
...	Indonesia	Jakarta Composite	2509.576	-12.969	-0.51	85.2	85.7
...	Japan	Nikkei Stock Average	10163.80	-13.61	-0.13	14.7	17.3
...		Topix	896.28	-2.01	-0.22	4.3	6.9
...	Malaysia	Kuala Lumpur Composite	1266.97	-2.06	-0.16	44.5	43.9
...	New Zealand	NZSX-50	3122.916	-9.388	-0.30	15.0	15.3
8	Pakistan	KSE 100	9227.18	-26.48	-0.29	57.3	18.5
16	Philippines	Manila Composite	3048.15	15.78	0.52	62.8	60.3
...	Singapore	Straits Times	2813.27	-0.66	-0.02	59.7	56.4
11	South Korea	Kospi	1647.84	-16.40	-0.99	46.5	40.1
21	Taiwan	Weighted	7742.17	-9.43	-0.12	68.6	64.9
10	Thailand	SET	715.81	-0.20	-0.03	59.1	58.5
50	**EUROPE**	DJ Stoxx 600	247.63	-2.70	-1.08	25.8	25.5
22		DJ Stoxx 50	2514.22	-28.29	-1.11	21.7	22.1
62	**Euro Zone**	DJ Euro Stoxx	269.13	-2.56	-0.94%	20.8%	20.9%
20		DJ Euro Stoxx 50	2896.60	-29.92	-1.02	18.2	18.1
15	Denmark	OMX Copenhagen	314.41	-1.06	-0.34	39.0	37.5
20	Finland	OMX Helsinki	6233.37	-33.94	-0.54	15.4	16.7
19	France	CAC-40	3830.82	-45.00	-1.16	19.0	18.4
...	Germany	DAX	5844.44	-58.99	-1.00	21.5	22.9
16	Italy	FTSE MIB	22677.74	-211.85	-0.93	16.5	16.0
...	Netherlands	AEX	326.68	-1.93	-0.59	32.8	30.7
...	Russia	RTSI	1400.91	-48.11	-3.32	121.7	109.6
11	Spain	IBEX 35	11696.9	-166.3	-1.40	27.2	26.3
14	Switzerland	SMI	6489.23	-43.09	-0.66	17.2	17.7
...	Turkey	ISE National 100	49963.21	-854.04	-1.68	86.0	89.3
15	U.K.	FTSE 100	5217.61	-102.65	-1.93	17.7	20.5
21	**AMERICAS**	DJ Americas	291.03	-3.37	-1.14	28.7	29.7
...	Brazil	Bovespa	67389.90	-1232.50	-1.80	79.5	70.8
...	Argentina	Merval	2208.25	-21.40	-0.96	104.5	93.7
20	Mexico	IPC	31863.49	-92.76	-0.29	42.4	40.4

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.21%	20	**DJ Global Index**	222.37	-3.49	-3.49%	29.4%	-1.6%	-7.1%
1.89	21	**Global DOW**	1962.36	-16.97	-16.97	27.6	-0.9	-2.6
2.38		**Asia/Pacific 600**	113.98	-1.13	-1.13	19.8	-1.0	-7.7
1.79	15	**Emerging Markets**	270.81	-4.22	-4.22	68.1	-1.5	2.9
2.17	33	**Asia/Pacific**	121.16	-1.10	-1.10	29.3	-0.9	-5.7
2.44	13	**Asia/Pacific ex-Japan**	303.01	-3.09	-3.09	61.1	-1.0	0.2
2.62	22	**Southeast Asia**	153.78	-0.38	-0.38	65.2	-0.3	1.8
0.83	31	**CBN China 600** -c	28283.60	-702.25	-702.25	71.6	-2.4	25.0
0.86	34	**Shanghai**	377.34	-9.59	-9.59	71.9	-2.5	25.1
0.58	48	**Shenzhen**	405.55	-10.82	-10.82	89.9	-2.6	31.1
2.21	19	**China Offshore 50**	3993.64	-55.55	-55.55	38.7	-1.4	9.4
8.95	9	**Australia LPT** -c, d	1112.85	27.30	27.30	4.4	2.5	-20.9

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.16%	15	**Islamic Market**	1931.23	-25.76	-25.76%	31.1%	-1.3%	-2.6%
2.47	16	**Islamic Market 100**	2081.56	-24.87	-24.87	19.6	-1.2	-3.3
9.74	15	**Bahrain**	120.74	0.00	0.00	-24.7	0.0	-12.9
2.77	34	**Kuwait**	202.18	2.93	2.93	-20.8	1.5	-13.9
2.64	20	**Sustainability**	989.85	-21.44	-21.44	26.6	-2.1	-7.9
2.72	50	**Stoxx 600 -p**	272.57	3.86	3.86	29.0	1.4	-8.7
4.74	17	**Stoxx Select Div 30 -p**	1792.78	24.04	24.04	26.8	1.4	-20.9
3.98	23	**Euro Stoxx Sel Div 30 -p**	2136.53	35.31	35.31	29.4	1.7	-16.3
1.76	29	**DJ U.S. TSM**	11304.72	-107.90	-107.90	27.2	-0.9	-7.7
3.96	16	**U.S. Select Dividend -d**	646.19	-6.44	-6.44	13.1	-1.0	-10.2
4.57		**U.S. REIT**	142.14	-1.11	-1.11	25.7	-0.8	-19.0
		DJ-UBS Commodity -p	136.73	2.01	2.01	20.0	1.5	-6.7

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: DowJones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.127	0.620	1.069	6.828	0.697	7.756	46.860	9475.08	90.165	1.403	1175.88	3.438	46.400	1.404	1.047	32.335	33.230
Australia	0.887		0.550	0.948	6.057	0.618	6.880	41.565	8404.40	79.976	1.245	1043.00	3.049	41.157	1.245	0.929	28.681	29.475
Britain	1.613	1.818		1.725	11.014	1.124	12.511	75.583	15282.83	145.432	2.264	1896.63	5.545	74.841	2.264	1.689	52.155	53.598
Canada	0.935	1.054	0.580		6.386	0.652	7.254	43.825	8861.43	84.325	1.313	1099.72	3.215	43.395	1.313	0.980	30.241	31.078
China	0.1464	0.165	0.091	0.157		0.102	1.136	6.862	1387.58	13.204	0.206	172.20	0.503	6.795	0.206	0.153	4.735	4.866
Euro	1.435	1.618	0.890	1.534	9.798		11.130	67.239	13595.79	129.378	2.014	1687.26	4.932	66.579	2.014	1.503	46.397	47.682
Hong Kong	0.129	0.145	0.080	0.138	0.880	0.090		6.042	1221.60	11.625	0.181	151.60	0.443	5.982	0.181	0.135	4.169	4.284
India	0.0213	0.0241	0.0132	0.0228	0.1457	0.0149	0.1655		202.20	1.9241	0.0299	25.09	0.0734	0.9902	0.0300	0.0224	0.6900	0.7091
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0095	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.086	0.520	105.09		0.016	13.04	0.038	0.515	0.016	0.012	0.359	0.369
New Zealand	0.713	0.803	0.442	0.762	4.866	0.497	5.527	33.390	6751.47	64.247		837.87	2.449	33.062	1.000	0.746	23.040	23.678
South Korea	0.0009	0.0010	0.0005	0.0009	0.0058	0.0006	0.0066	0.0399	8.06	0.0767	0.0012		0.0029	0.0395	0.0012	0.0009	0.0275	0.0283
Malaysia	0.291	0.328	0.180	0.311	1.986	0.203	2.256	13.632	2756.39	26.230	0.408	342.07		13.498	0.408	0.305	9.407	9.667
Philippines	0.022	0.024	0.013	0.023	0.147	0.015	0.167	1.010	204.20	1.943	0.030	25.34	0.074		0.030	0.023	0.697	0.716
Singapore	0.712	0.803	0.442	0.762	4.864	0.496	5.525	33.380	6749.35	64.227	1.000	837.61	2.449	33.052		0.746	23.033	23.671
Switzerland	0.955	1.076	0.592	1.021	6.520	0.665	7.406	44.741	9046.72	86.089	1.340	1122.72	3.282	44.302	1.340		30.873	31.728
Taiwan	0.031	0.035	0.019	0.033	0.211	0.022	0.240	1.449	293.03	2.788	0.043	36.37	0.106	1.435	0.043	0.032		1.028
Thailand	0.030	0.034	0.019	0.032	0.205	0.021	0.233	1.410	285.14	2.713	0.042	35.39	0.103	1.396	0.042	0.032	0.973	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 17, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	298.19	0.57%	**31.0%**	35.5%
2.50	26	**World (Developed Markets)**	1,165.71	0.68	**26.7**	30.5
1.90	124	**World Small Cap**	188.21	0.75	**40.2**	48.4
2.60	22	**Kokusai (World ex-Japan)**	1,153.43	0.57	**29.3**	32.4
3.10	26	**EAFE**	1,584.86	1.21	**28.1**	35.7
2.20	20	**Emerging Markets (EM)**	973.42	-0.16	**71.7**	84.7
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	404.52	-0.77	**63.5**	77.9
2.10	25	**AC Far East ex-Japan**	439.93	-0.67	**61.3**	77.5
1.80	35	**Japan**	560.83	1.55	**5.8**	8.8
1.90	20	**China**	64.15	-1.31	**57.3**	73.7
0.90	39	**China A (China Domestic)**	3,379.93	-0.63	**94.9**	94.4
2.60	23	**Hong Kong**	10,080.40	-0.78	**53.8**	59.5
1.00	21	**India**	685.07	0.16	**85.5**	97.8
1.10	24	**Korea**	474.58	-0.19	**54.6**	58.8
2.40	21	**Malaysia**	468.93	-0.19	**46.0**	47.8
3.10	17	**Singapore**	1,579.30	0.82	**58.4**	60.6
2.70	315	**Taiwan**	278.64	-0.84	**60.7**	66.3
3.10	20	**Thailand**	292.28	1.29	**57.9**	76.1
4.00	25	**Australia**	958.80	-0.25	**25.3**	24.2
5.30	16	**New Zealand**	83.89	0.87	**10.5**	8.2
1.90	32	**US BROAD MARKET**	1,227.81	0.22	**25.0**	26.9
3.40	17	**EUROPE**	87.06	1.28	**25.4**	20.4

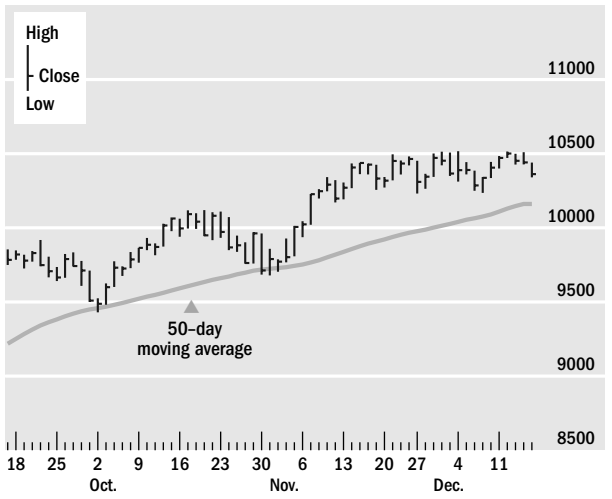
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10362.22** ▼ 78.90, or 0.76%
YEAR TO DATE: ▲ **1,585.83, or 18.1%**
OVER 52 WEEKS ▲ **1,757.23, or 20.4%**



Nasdaq Composite Index P/E: 44*

LAST: **2188.42** ▼ 18.49, or 0.84%
YEAR TO DATE: ▲ **611.39, or 38.8%**
OVER 52 WEEKS ▲ **636.05, or 41.0%**

S&P 500 Index P/E: 73

LAST: **1102.31** ▼ 6.87, or 0.62%
YEAR TO DATE: ▲ **199.06, or 22.0%**
OVER 52 WEEKS ▲ **217.03, or 24.5%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**12.50**	$27.32	-0.20	**-0.73%**
Alcoa	AA	**9.40**	14.54	-0.36	**-2.42**
AmExpress	AXP	**3.60**	40.42	-0.85	**-2.06**
BankAm	BAC	**94.70**	15.20	-0.08	**-0.52**
Boeing	BA	**2.00**	55.09	-0.04	**-0.07**
Caterpillar	CAT	**2.40**	57.33	-0.90	**-1.55**
Chevron	CVX	**4.00**	77.02	-0.87	**-1.12**
CiscoSys	CSCO	**14.50**	23.23	-0.22	**-0.94**
CocaCola	KO	**5.60**	57.38	-1.04	**-1.78**
Disney	DIS	**5.40**	31.78	-0.65	**-2.00**
DuPont	DD	**2.00**	32.07	-0.59	**-1.81**
ExxonMobil	XOM	**22.60**	68.72	0.29	**0.42**
GenElec	GE	**29.20**	15.83	0.14	**0.89**
HewlettPk	HPQ	**7.20**	50.59	-0.77	**-1.50**
HomeDpt	HD	**4.70**	28.90	-0.06	**-0.21**
Intel	INTC	**24.90**	19.14	-0.24	**-1.24**
IBM	IBM	**2.40**	127.59	-1.12	**-0.87**
JPMorgChas	JPM	**22.60**	40.35	-1.01	**-2.44**
JohnsJohns	JNJ	**4.10**	64.42	-0.38	**-0.59**
KftFoods	KFT	**4.30**	26.87	-0.28	**-1.03**
McDonalds	MCD	**2.10**	62.19	-0.23	**-0.37**
Merck	MRK	**6.70**	37.55	-0.20	**-0.53**
Microsoft	MSFT	**20.20**	29.67	-0.43	**-1.43**
Pfizer	PFE	**18.30**	18.16	-0.25	**-1.39**
ProctGamb	PG	**4.20**	61.82	-0.34	**-0.55**
3M	MMM	**1.70**	80.81	-0.91	**-1.12**
TravelersCos	TRV	**1.70**	49.12	-0.58	**-1.17**
UnitedTech	UTX	**1.30**	69.75	-0.50	**-0.71**
Verizon	VZ	**8.60**	32.86	0.15	**0.46**
WalMart	WMT	**7.90**	52.90	-0.42	**-0.79**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**2,147.5**	$3.22	–$0.23	**–6.67%**
BankAm	BAC	**99.6**	15.19	–0.09	**–0.59**
SPDR S&P 500	SPY	**73.5**	110.44	–1.08	**–0.97**
SPDR FnclSelSct	XLF	**48.5**	14.16	–0.17	**–1.19**
PwrShrs QQQ	QQQQ	**41.0**	43.91	–0.45	**–1.01**
WellsFargo	WFC	**39.4**	25.91	0.07	**0.27**
AdventrxPharm	ANX	**34.9**	0.18	0.04	**25.52**
iShrMSCIEmrgMkt	EEM	**34.6**	40.42	–1.02	**–2.46**
iShrRu2000	IWM	**29.9**	60.50	–0.80	**–1.30**
GenElec	GE	**29.4**	15.84	0.15	**0.96**
US NatGas	UNG	**28.7**	10.60	0.54	**5.39**
FordMotor	F	**26.7**	9.41	–0.08	**–0.84**
Intel	INTC	**25.0**	19.14	–0.24	**–1.24**
SprintNextel	S	**24.5**	3.76	–0.17	**–4.33**
Conseco	CNO	**23.5**	5.03	–0.11	**–2.14**

Biggest gainers...

CedarFair	FUN	**4,418.4**	$11.20	$2.12	**23.35%**
SchifNutrtn A	WNI	**308.1**	7.50	1.21	**19.24**
Winnebago	WGO	**815.1**	12.97	2.07	**18.99**
SuperiorBcp	SUPR	**38.1**	2.58	0.37	**16.74**
SearchMedWt	IDI%	**30.7**	2.80	0.38	**15.70**

...Biggest losers

CentlJerseyBcp	CJBK	**29.5**	$3.70	-$1.14	**-23.55%**
GeoEye	GEOY	**1,408.6**	26.34	-5.37	**-16.93**
CambmLearnGp	ABCD	**7.5**	3.97	-0.78	**-16.42**
Nanometrc	NANO	**1,572.5**	10.88	-1.56	**-12.54**
ZaleCp	ZLC	**876.9**	2.57	-0.34	**-11.68**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.39	$6.36	**Taiwan Semi**	TSM	**6,502.9**	$10.82	-0.02	**-0.18%**
3.87	1.65	**Utd Microelectronics**	UMC	**4,089.5**	3.51	0.09	**2.63**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**2,655.1**	5.10	-0.27	**-5.03**
78.75	33.09	**BHP Billiton**	BHP	**1,387.2**	72.16	-2.42	**-3.25**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**1,202.7**	6.35	-0.15	**-2.31**
11.73	6.25	**AU Optrncs**	AUO	**1,104.5**	10.89	0.07	**0.69**
4.63	1.49	**Adv Semi Engrg**	ASX	**834.2**	4.16	0.06	**1.46**
59.22	40.20	**China Mobile**	CHL	**769.8**	45.57	-0.85	**-1.83**
18.80	12.59	**SK Telecom**	SKM	**563.6**	16.53	-0.28	**-1.67**
54.99	22.61	**Infosys Tech**	INFY	**552.5**	54.27	-0.16	**-0.29**
15.29	6.85	**Korea Elec Pwr**	KEP	**467.4**	13.68	-0.32	**-2.29**
19.56	15.05	**ChunghwaTel**	CHT	**443.9**	17.99	-0.01	**-0.06**
15.95	8.56	**China Unicom**	CHU	**420.2**	12.86	-0.22	**-1.68**
17.79	11.30	**KT Corp**	KTC	**333.6**	17.16	-0.46	**-2.61**
81.00	37.43	**China Life Ins**	LFC	**288.2**	73.48	-1.61	**-2.14**
32.79	9.91	**Aluminum Cp of China**	ACH	**287.2**	27.20	-0.97	**-3.44**
9.82	5.43	**Telecom Corp of NZ**	NZT	**259.0**	8.55	-0.15	**-1.72**
22.15	5.11	**Yanzhou Coal Mining**	YZC	**252.2**	20.91	-1.08	**-4.91**
30.37	16.38	**Indosat Tbk**	IIT	**244.8**	24.67	-0.07	**-0.28**
135.92	63.94	**PetroChina**	PTR	**239.3**	119.80	-2.58	**-2.11**
9.50	3.96	**Nomura Hldgs**	NMR	**175.3**	7.48	-0.29	**-3.73**
4.00	1.43	**SemiMfgInt**	SMI	**171.7**	2.95	-0.10	**-3.28**
150.50	47.09	**POSCO**	PKX	**163.1**	123.58	-4.66	**-3.63**
56.41	31.92	**ChinaTele**	CHA	**144.2**	41.13	-1.34	**-3.16**
34.52	19.60	**Honda Motor**	HMC	**139.0**	33.60	-0.55	**-1.61**
7.10	2.00	**Alumina**	AWC	**133.0**	6.27	-0.08	**-1.26**
94.00	46.45	**China Petro & Chem**	SNP	**104.9**	85.45	-1.64	**-1.88**
34.43	22.17	**Huaneng Power Intl**	HNP	**103.8**	22.35	-0.45	**-1.97**
30.82	15.64	**Sony**	SNE	**100.2**	28.55	-0.46	**-1.59**
41.87	19.90	**Telekom Indonesia**	TLK	**91.5**	41.59	0.58	**1.41**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

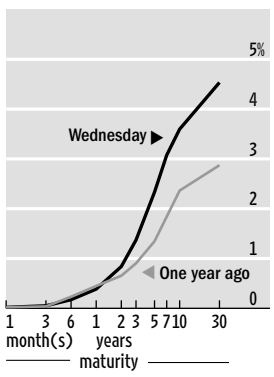
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.330%**	**355.2**	344.2	386.5	**205.1**	**4.273%**	4.643%	**2.799%**
4.500	10	**5.563**	**203.8**	195.6	229.6	**194.5**	**5.533**	5.630	**4.141**
5.250	**Austria** 2	**0.856**	**7.8**	13.9	11.3	**144.7**	**0.970**	0.891	**2.195**
4.350	10	**3.494**	**-3.1**	-3.1	29.6	**172.7**	**3.546**	3.630	**3.923**
3.500	**Belgium** 2	**0.999**	**22.1**	27.4	27.3	**166.9**	**1.105**	1.051	**2.417**
4.000	10	**3.552**	**2.7**	1.7	34.4	**162.9**	**3.594**	3.678	**3.825**
1.250	**Canada** 2	**1.318**	**54.0**	45.3	55.7	**53.3**	**1.284**	1.335	**1.281**
3.750	10	**3.397**	**-12.8**	-16.8	6.2	**67.2**	**3.409**	3.396	**2.868**
4.000	**Denmark** 2	**1.895**	**111.7**	111.7	144.0	**223.8**	**1.948**	2.218	**2.986**
4.000	10	**3.513**	**-1.2**	-2.6	30.7	**130.0**	**3.551**	3.641	**3.496**
1.500	**France** 2	**1.081**	**30.3**	30.8	48.3	**156.2**	**1.139**	1.261	**2.310**
3.750	10	**3.405**	**-12.0**	-13.6	26.0	**127.1**	**3.441**	3.594	**3.467**
1.250	**Germany** 2	**1.157**	**37.9**	37.8	40.4	**118.3**	**1.209**	1.182	**1.931**
3.250	10	**3.152**	**-37.3**	-37.0	-1.4	**79.7**	**3.207**	3.320	**2.993**
0.550	**Hong Kong** 2	**0.591**	**-18.7**	-25.6	-24.6	**-0.4**	**0.575**	0.532	**0.744**
2.160	10	**2.598**	**-92.7**	-98.8	-105.2	**-74.5**	**2.589**	2.282	**1.451**
3.750	**Italy** 2	**1.451**	**67.3**	64.4	66.4	**248.8**	**1.475**	1.442	**3.236**
4.250	10	**3.975**	**45.0**	42.2	73.1	**213.7**	**3.999**	4.065	**4.333**
0.300	**Japan** 2	**0.167**	**-61.1**	-66.0	-52.3	**-25.8**	**0.171**	0.255	**0.490**
1.300	10	**1.248**	**-227.7**	-231.1	-198.9	**-84.6**	**1.266**	1.345	**1.350**
4.000	**Netherlands** 2	**0.822**	**4.4**	-1.5	10.3	**143.4**	**0.816**	0.881	**2.182**
4.000	10	**3.360**	**-16.5**	-18.3	22.2	**145.3**	**3.394**	3.556	**3.649**
3.200	**Portugal** 2	**1.217**	**43.9**	42.2	37.3	**202.7**	**1.253**	1.151	**2.775**
4.750	10	**3.883**	**35.8**	30.2	48.2	**175.6**	**3.879**	3.816	**3.952**
5.350	**Spain** 2	**1.433**	**65.5**	67.2	58.6	**185.0**	**1.503**	1.364	**2.598**
4.300	10	**3.796**	**27.1**	22.2	52.3	**164.5**	**3.799**	3.857	**3.841**
4.000	**Switzerland** 2	**0.349**	**-42.9**	-46.2	-32.9	**0.9**	**0.369**	0.449	**0.757**
3.000	10	**1.875**	**-165.0**	-167.4	-135.9	**-1.8**	**1.903**	1.975	**2.178**
3.250	**U.K.** 2	**1.198**	**42.0**	40.1	58.0	**63.6**	**1.232**	1.358	**1.384**
4.500	10	**3.863**	**33.8**	32.1	41.7	**103.2**	**3.898**	3.751	**3.228**
0.750	**U.S.** 2	**0.778**	**...**	...	...	**...**	**0.831**	0.778	**0.748**
3.375	10	**3.525**	**...**	...	...	**...**	**3.577**	3.334	**2.196**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.534%**	16.35	–5.26%	–6.75%	–24.45%	–21.90%
10-year Treasury	**3.597**	8.32	–3.10	–1.62	–7.68	–6.74
7 Year Treasury	**3.076**	6.27	–2.26	0.01	...	...
Five-year Treasury	**2.333**	4.67	–1.41	0.79	0.77	0.28
Ryan Index	**2.625**	6.75	–2.16	–1.02	–5.37	–4.66
3 Year Treasury	**1.371**	2.94	–0.55	0.92	1.99	1.82
Two-year Treasury	**0.839**	1.94	–0.30	0.63	1.77	1.72
1 Year Treasury	**0.386**	1.00	–0.06	0.24	1.00	1.11
Six-month Treasury	**0.173**	0.50	...	0.07	0.63	0.70
Ryan Cash Index-a	**0.157**	0.46	–0.01	0.09	0.53	0.58
Three-month bill	**0.051**	0.25	0.01	0.05	0.36	0.35
One-month bill	**0.020**	0.08	0.01	0.02	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.52**	2.02
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23313%**	0.58125%
Three month	**0.25338**	1.57750
Six month	**0.44388**	1.89125
One year	**0.99163**	2.09875

	Latest	52 wks ago
Euro Libor		
One month	**0.45313%**	2.84875%
Three month	**0.67188**	3.14500
Six month	**0.97813**	3.24375
One year	**1.22313**	3.33500
Hibor		
One month	**0.05979**	0.44857%
Three month	**0.10950**	1.19429
Six month	**0.24893**	1.70714
One year	**0.58643**	2.04571
Asian dollars		
One month	**0.2445%**	0.66%
Three month	**0.2658**	1.6300
Six month	**0.4713**	1.9460
One year	**1.0125**	2.1400

	Offer	Bid
Eurodollars		
One month	**0.2900%**	0.1900%
Three month	**0.3200**	0.2200
Six month	**0.3900**	0.2900
One year	**0.6000**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.19%**	0.10%
U.K. (BBA)	**0.478**	2.000
Euro zone	**0.32**	2.17

Sources: WSJ Market Data Group; Reuters

HEARD ON THE STREET

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NAB nabs edge down under

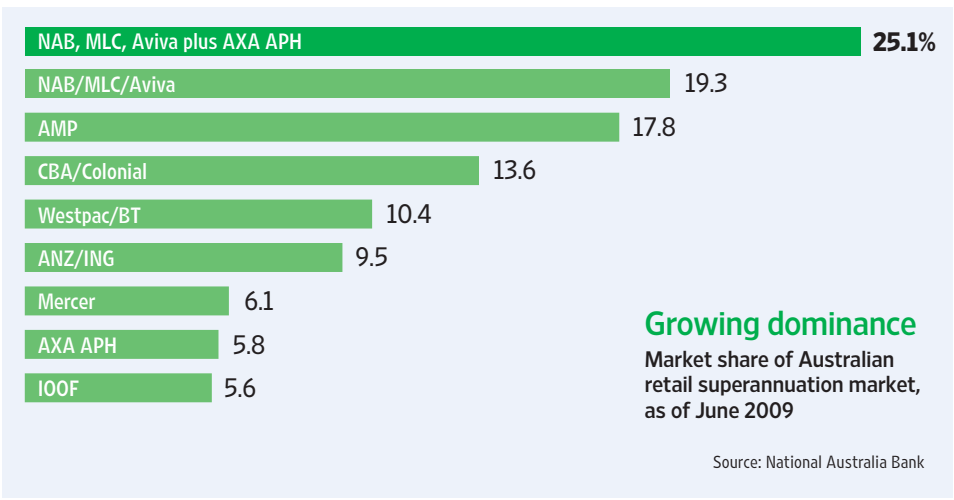
Barring an unforeseen turn of events, **National Australia Bank** looks to have sewn up its purchase of **AXA Asia Pacific Holdings**. Integrate successfully, and NAB will have stolen a significant march on its competitors in the wealth-management market down under.

In a contest that is an acronym lover's dream, NAB's $3.7 billion offer for the Australasian operations of AXA APH is 4.5% higher than the one made by rival **AMP** Ltd. earlier this week. Under both deals, French insurer **AXA** SA would eventually purchase AXA APH's Asian business.

AMP is considering its options, but it would be a surprise if that stretches to a counterbid. Raising its offer would strain AMP's resources: It has already said what is on the table now is its "best and final" bid.

Moreover, AXA APH has recommended shareholders accept the NAB offer, which includes the option of receiving full payment in cash rather than AMP's mixture of cash and shares.

So—a likely victory for NAB. But does that mean this is a good deal for the bank?



The details given out so far don't make it a slam-dunk. NAB expects synergies after five years to be worth about $230 million annually. Set against that, integrating AXA APH into its existing business will cost nearly $360 million over the same period.

And NAB already had a lot on its plate integrating the wealth-management operations bought from Aviva and Goldman Sachs JBWere. Adding a third deal creates quite a challenge for NAB's management.

But the strategic rationale for the deal remains sound. As Australia's population ages, wealth management should be a lucrative area, most of all for companies with scale and large networks of financial advisers.

Even if NAB's rivals look to snatch up other wealth-management companies in response to its move on AXA APH, the bank will have bought itself a solid market share. As it is, the acquisition will give it first place in Australia's retail superannuation market with 25.1%, 7.3 percentage points more than its nearest rival.

As long as Australia's regulators don't balk, NAB will have achieved dominance on paper. Putting it into practice will be the hard part.

—Andrew Peaple

Abu Dhabi's wounded pride

Abu Dhabi's launching of a messy legal battle to extricate its sovereign-wealth fund from a costly deal to invest in **Citigroup** smacks of wounded pride. It also will fuel suspicions that despite Abu Dhabi's long-term oil wealth, it may face near-term liquidity problems raising the cash to bail out both neighboring Dubai and its own speculative investments while meeting its own ambitious development targets.

In November 2007, the Abu Dhabi Investment Authority agreed to buy $7.5 billion of Citi's stock in March 2009 at $31.83 a share. ADIA officials viewed the Citi deal as a master stroke, giving the sheikdom an 11% premium on the equity units.

The deal has since become an albatross around the necks of Abu Dhabi's image-conscious rulers. Citi's stock traded at about $3.50 Wednesday. ADIA has accused Citi of fraud, but bankers say it will struggle to force the bank into changing terms.

Profits made on Citi by ADIA's peers heighten the fund's embarrassment. The Kuwait Investment Authority trumpeted a 36.7% return on the recent sale of its $4.1 billion stake. The Government of Singapore Investment Corp. said in September it made a $1.6 billion profit selling about half its stake.

All this comes at a bad time for Abu Dhabi. The emirate already has pumped $25 billion to struggling cousin Dubai this year, directly or indirectly, equivalent to about 60% of Abu Dhabi's annual oil income.

ADIA is estimated to have assets in the region of $500 billion, but that may be overstated and difficult to get at. Bankers say ADIA may have leveraged many of its deals, which the secretive fund denies.

ADIA's embarrassment is a reminder that not all the United Arab Emirates' worst investment decisions were made in the domestic market.

—Andrew Critchlow

Mandelson must say no to Cadbury protectionism

Kraft Foods' takeover bid for **Cadbury** is in danger of turning into a political football.

U.K. Business Secretary Peter Mandelson has hinted he might oppose the U.S. conglomerate's offer for the U.K. confectioner. Kraft also run into opposition from labor union Unite, despite promises to keep more of Cadbury's business in the U.K.

Now a group of Labour Party parliamentarians is lobbying Lord Mandelson to prevent state-controlled **Royal Bank of Scotland** from financing Kraft's £10 billion ($16.3 billion) bid. Lord Mandelson must resist this pressure. French-style economic nationalism is sure to be bad for Cadbury, RBS and Britain.

Drawing the line at chocolate when it comes to national industrial policy seems odd. Lord Mandelson has done little to prevent Tata Steel's decision this month to mothball part of its Corus unit's steel plant at Teesside in Britain's northeast.

RBS will soon be 84%-owned by the British taxpayer, yet has to compete on a commercial basis. Any hint the government might pressure the bank to break a lbinding agreement to lend money could undermine customer confidence and deprive it of badly needed revenue.

After years of stalwart defense of open markets, this is no time for the U.K. to give a green light to protectionism.

—Matthew Curtin

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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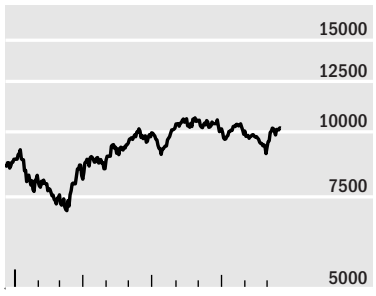
Asian index movers...

Nikkei Stock Average
Japan 10163.80
▼ **0.13% or 13.61**

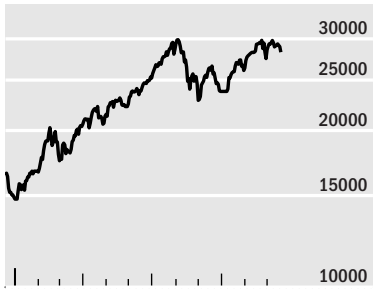
Investors took profits following a rally by Japan's biggest banks. Gains by the dollar supported exporters' stocks, which have been hurt as the yen has surged.



Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**183.50**	185	3	1.65
Hitachi	**129.33**	254	9	3.67
Mtshbsh Fin Grp	**121.54**	464	–6	–1.28
Nippon Yusen	**54.09**	277	7	2.59
NEC	**38.60**	225	1	0.45

CBN 600
China 28283.60
▼ **2.42% or 702.26**

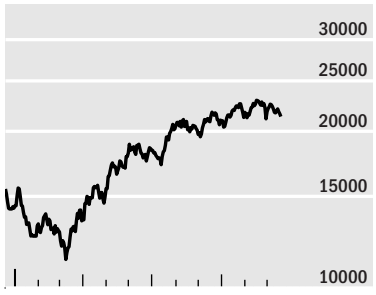
Worries over a flood of new shares entering the market sent prices lower. Ideas that investors may be selling to raise cash to repay debts by year end hurt sentiment.



Stock	Volume in millions	Close	Change Net	Change %
United Network	**404.15**	6.81	0.07	1.04
China State Con	**240.48**	4.78	–0.08	–1.65
Cn Citic Bank	**149.90**	7.79	–0.43	–5.23
ChinaPetrol&Chem	**132.18**	12.93	–0.42	–3.15
ChinaMinshengBkg	**127.40**	7.68	–0.08	–1.03

Hang Seng
Hong Kong 21347.63
▼ **1.22% or 264.11**

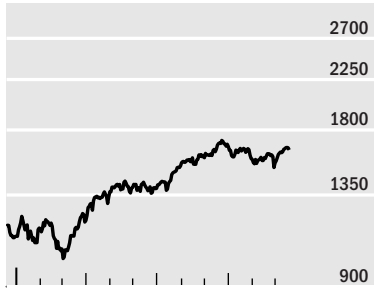
Shares of Chinese banks fell for a third straight day as investors worried that Beijing could act to slow lending. Weakness in the Shanghai market added to the losses.



Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**475.00**	4.04	–0.06	–1.46
CCB	**337.43**	6.45	–0.11	–1.68
Icbc	**231.17**	6.31	0.01	0.16
ChinaPetroChem	**128.41**	6.64	–0.09	–1.34
PetroChina	**122.65**	9.30	–0.10	–1.06

Kospi
South Korea 1647.84
▼ **0.99% or 16.40**

The market fell as the dollar rose, raising concern that fewer investors will borrow in dollars to invest in markets such as South Korea's.

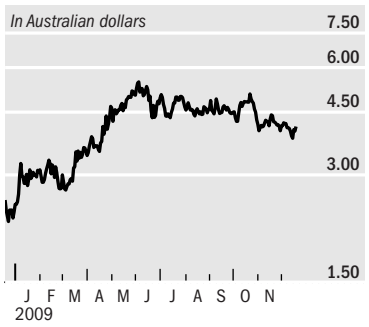


Stock	Volume in millions	Close	Change Net	Change %
Ssangyong Motor	**56.38**	4,060	280	7.41
Baemyung Metal	**29.21**	1,125	5	0.45
Hansol Homedeco	**23.88**	1,315	–5	–0.38
Korea Data Sys	**9.47**	305	–30	–8.96
HanChang	**8.07**	455	–50	–9.90

Asian stocks in the news

Paladin Energy
Australia A$4.10
▲ **3.0% or A$0.12**

RBS raised its rating on the stock to "buy" from "hold."

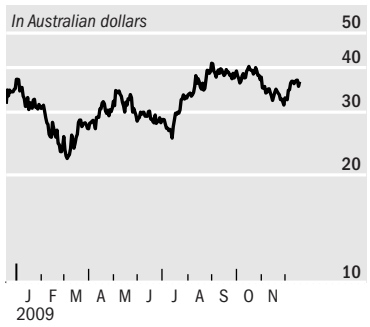


Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.96**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-0.6%**	0.3%	58.1%
Paladin Energy	**3.0%**	3.0%	60.8%

Perpetual
Australia A$36.51
▲ **3.0% or A$1.08**

News of the NAB bid for AXA Asia Pacific raised hopes of demand for insurers and wealth managers.

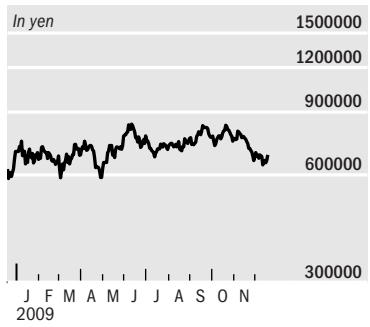


Price-to-earnings ratio	**38**
Earnings per share, past four quarters	**0.96**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Financial Services	**-1.2%**	-1.0%	33.5%
Perpetual	**3.0%**	1.3%	15.4%

Inpex
Japan ¥683,000
▲ **3.6% or ¥24,000**

A gain in oil prices in New York boosted the oil-exploration company.

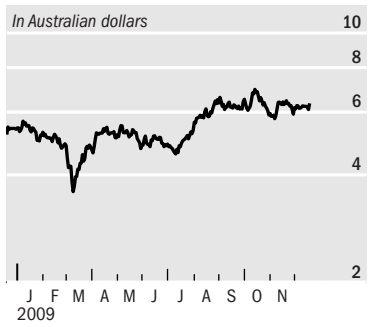


Price-to-earnings ratio	**17**
Earnings per share, past four quarters	**40281.40**
Dividend yield	**0.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-0.6%**	-1.0%	42.5%
Inpex	**3.6%**	6.7%	9.6%

AMP
Australia A$6.35
▲ **4.1% or A$0.25**

NAB's bid for AXA Asia Pacific means AMP is now unlikely to buy the firm.



Price-to-earnings ratio	**21**
Earnings per share, past four quarters	**0.30**
Dividend yield	**2.2**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Financial Services	**-1.2%**	-1.0%	33.5%
AMP	**4.1%**	1.9%	22.4%

AXA Asia Pacific Hldgs
Australia A$6.37
▲ **12.7% or A$0.72**

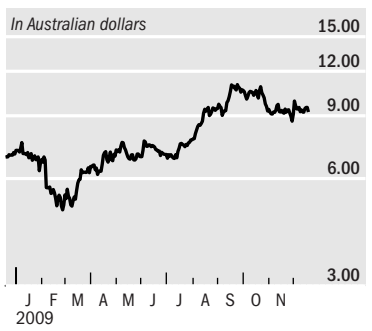
National Australia Bank bid for the wealth manager, beating a bid by AMP Ltd. and AXA SA.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.07**
Dividend yield	**1.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Insurance	**-0.8%**	-1.5%	10.1%
AXA Asia Pacific Hldgs	**12.7%**	10.2%	45.8%

Lend Lease Group
Australia A$9.22
▼ **2.9% or A$0.28**

The firm said a consortium it belongs to is the preferred bidder for the ING Retail Property Fund.

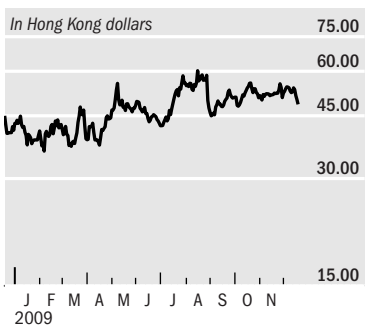


Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-1.65**
Dividend yield	**1.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-1.0%**	-1.1%	32.6%
Lend Lease Group	**-2.9%**	...	33.8%

Esprit Hldgs
Hong Kong HK$48.45
▼ **3.0% or HK$1.50**

The retailer is buying out China Resources Enterprise's stake in a joint venture.



Price-to-earnings ratio	**13**
Earnings per share, past four quarters	**3.72**
Dividend yield	**3.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-1.4%**	-2.2%	14.0%
Esprit Hldgs	**-3.0%**	-7.7%	7.7%

New World Dev
Hong Kong HK$16.00
▼ **3.3% or HK$0.54**

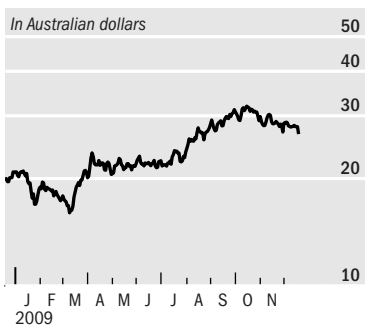
Ongoing worry over potential Chinese moves to limit property-price gains hurt the shares.

Price-to-earnings ratio	**33**
Earnings per share, past four quarters	**0.49**
Dividend yield	**2.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-1.0%**	-1.1%	32.6%
New World Dev	**-3.3%**	-3.6%	105.1%

National Australia Bk
Australia A$26.65
▼ **4.7% or A$1.30**

The bank made an unexpected offer to buy the wealth manager AXA Asia Pacific.

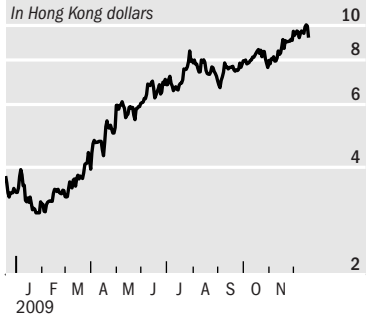


Price-to-earnings ratio	**10**
Earnings per share, past four quarters	**2.63**
Dividend yield	**2.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**-1.6%**	-2.1%	26.8%
National Australia Bk	**-4.7%**	-4.8%	34.5%

Belle Intl
Hong Kong HK$9.24
▼ **7.2% or HK$0.72**

The footwear maker said it was selling stock at a discount to the market price.



Price-to-earnings ratio	**32**
Earnings per share, past four quarters	**0.29**
Dividend yield	**0.9**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-1.2%**	-0.2%	19.7%
Belle Intl	**-7.2%**	-3.3%	144.4%

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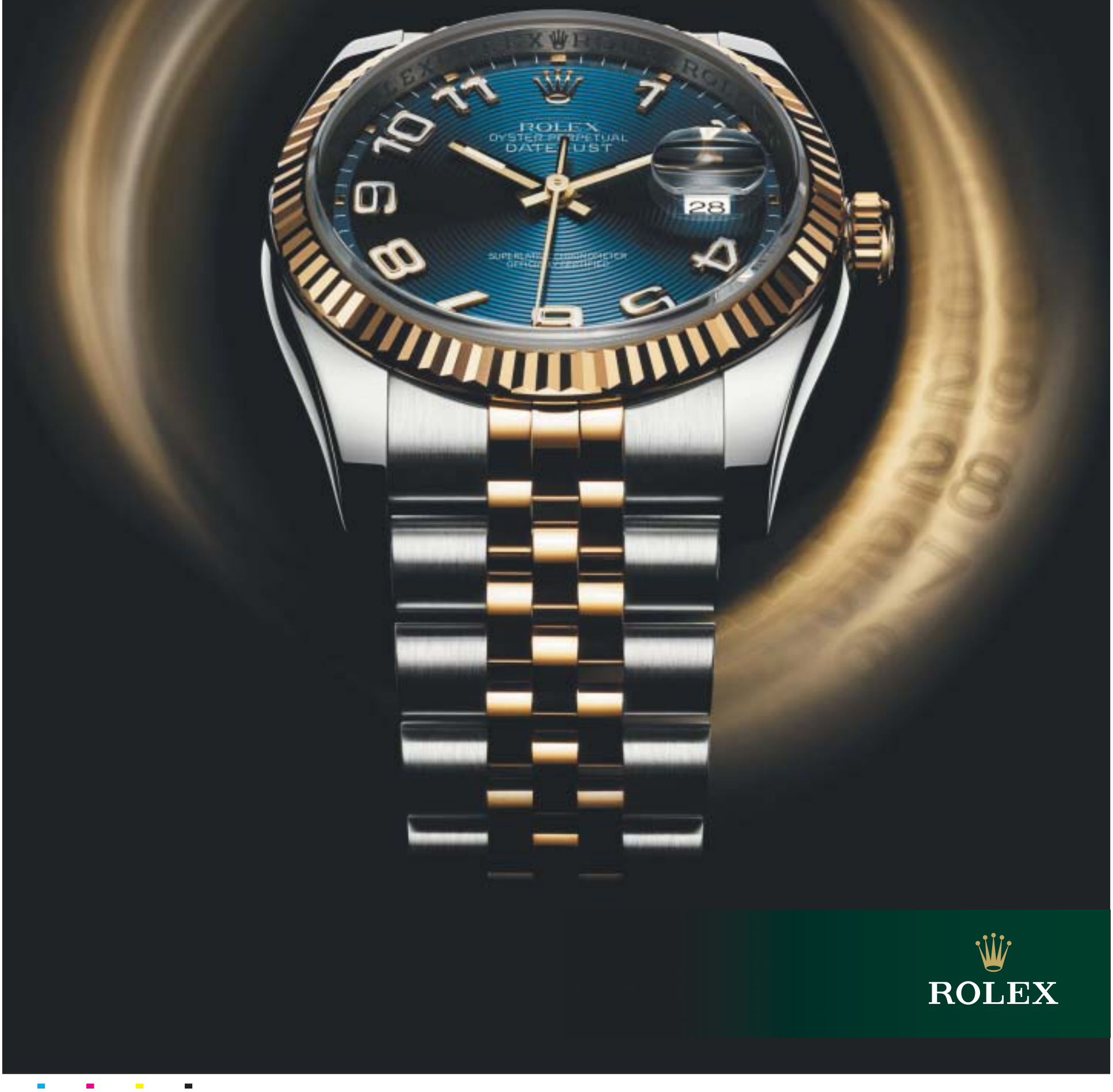

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